



上海銀行(香港)
Bank of Shanghai (Hong Kong)

BANK OF SHANGHAI (HONG KONG) LIMITED

**DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

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BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

REPORT OF THE DIRECTORS

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2025.

Principal place of business

Bank of Shanghai (Hong Kong) Limited (the Company) is a restricted licence bank incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 34th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong.

Principal activities

The principal activities of the Company are to provide financial services to corporations and individuals. The principal activities and other particulars of the Company's subsidiaries are stated in Note 19 to the financial statements.

Transfer to reserves

The profit attributable to shareholders of HK\$80,454,000 (2024: loss of HK\$1,109,573,000) has been transferred to reserves. Other movements in reserves are shown in the consolidated statement of changes in equity on page 10.

Recommended dividend

The directors do not recommend payment of a final dividend for the financial year ended 31 December 2025 (2024: Nil).

Share capital

Details of share capital of the Company are set out in Note 28(b) to the financial statements.

There was no shares movement during the year.

Charitable donations

No charitable and other donations were made by the Bank of Shanghai (Hong Kong) Limited and its subsidiaries ("the Group") during the financial year (2024: Nil).

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

REPORT OF THE DIRECTORS (CONTINUED)

Directors

The directors of the Company during the financial year and up to the date of this report were:

Non-Executive Directors and Chairman

Li Xiaohong

Non-Executive Director

Ye Zhengxiang

Executive Director

Chen Xuanqiang

Independent Non-Executive Directors

Tsien James Steed

Fong Wo, Felix

Sun Po Yuen

Directors of subsidiaries

The names of directors who had served on the board of the Company's subsidiaries during the financial year and up to the date of this report were:

Chen Xuanqiang

Guo Chuhua

Li Mao

Li Xiaohong

Liu Ting

(Ceased on 1 September 2025)

Ma Yijia

Mao Yanmin

Peng Xiaoxuan

Qian Manman

Wang Jian

Wu Jun

Ye Zhengxiang

Yu Luning

Zheng Han

Zhu Shouyuan

There being no provision in the Company's articles of association in connection with the retirement of directors, all existing directors continue in office for the following year.

At no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REPORT OF THE DIRECTORS (CONTINUED)

Directors' interests in transactions, arrangements or contracts

No transaction, arrangement or contract of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or an entity connected with a director had a material interest, subsisted at the end of the year or at any time during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or subsisting during the year.

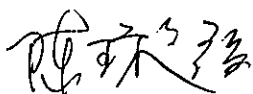
Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. Their re-appointment will be considered at the forthcoming Annual General Meeting.

By order of the board



Chen Xuanqiang
Director
Hong Kong, 23 April 2026



**Independent auditor's report to the members of
Bank of Shanghai (Hong Kong) Limited**
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Bank of Shanghai (Hong Kong) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 89, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



**Independent auditor's report to the members of
Bank of Shanghai (Hong Kong) Limited**
(Incorporated in Hong Kong with limited liability)

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibility for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



**Independent auditor's report to the members of
Bank of Shanghai (Hong Kong) Limited**
(Incorporated in Hong Kong with limited liability)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Shum, Yiu Man (practising certificate number: P07555).

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 April 2026

**BANK OF SHANGHAI (HONG KONG) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025
(EXPRESSED IN HONG KONG DOLLARS)**

	Note	2025 \$'000	2024 \$'000
Interest income	6	1,359,339	1,721,956
Interest expense	6	<u>(1,095,475)</u>	<u>(1,367,209)</u>
Net interest income		263,864	354,747
Fee and commission income	7	26,069	60,042
Fee and commission expense	7	<u>(2,133)</u>	<u>(1,798)</u>
Net fee and commission income		23,936	58,244
Net income/(loss) from financial instruments measured at fair value	8	168,371	(79,120)
Net income/(loss) from investment securities	8	8,374	(70,226)
Other operating income/(loss)		<u>577</u>	<u>(661)</u>
Total operating income		465,122	262,984
Operating and other expenses	9	<u>(174,664)</u>	<u>(486,019)</u>
Operating profit/(loss) before impairment losses		290,458	(223,035)
Allowances for credit and other losses	10	<u>(94,796)</u>	<u>(871,690)</u>
Profit/(loss) before taxation		195,662	(1,094,725)
Taxation	12(a)	<u>(115,208)</u>	<u>(14,848)</u>
Profit/(loss) for the year		80,454	(1,109,573)
Other comprehensive income for the year, net of tax Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for subsidiaries	13(a)	4,692	(9,564)
Net movement in revaluation reserve	13(b)	<u>39,744</u>	<u>413,507</u>
Total comprehensive income for the year		<u>124,890</u>	<u>(705,630)</u>

The notes on pages 12 to 89 form part of these financial statements.

BANK OF SHANGHAI (HONG KONG) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025
(EXPRESSED IN HONG KONG DOLLARS)

	Note	2025 \$'000	2024 \$'000
Assets			
Cash and balances with banks and central bank	14	1,913,338	1,812,934
Placements with and advances to banks	15	278,294	781,187
Financial assets at fair value through profit or loss		592,221	588,464
Derivative financial assets	30	23,951	114,577
Loans and advances to customers	16(a)	16,943,217	20,466,722
Investment securities	17	9,104,760	8,604,151
Investment in an associate	18	5,772	4,963
Property and equipment	20	36,336	49,492
Intangible assets	21	1,817	1,990
Current tax recoverable	24(a)	19	—
Deferred tax assets	24(b)	58,833	172,168
Other assets	22	381,609	271,566
TOTAL ASSETS		29,340,167	32,868,214
Liabilities			
Deposits from customers	23	16,856,907	16,460,196
Deposits from banks		1,541,389	4,679,604
Financial assets sold under repurchase agreement		292,677	1,564,858
Derivative financial liabilities	30	83,236	29,451
Certificates of deposit and other debt securities issued	25	4,673,738	4,254,071
Current tax payable	24(a)	50,845	50,287
Deferred tax liabilities	24(b)	89	—
Lease liabilities	26	32,830	44,737
Other borrowings		219,702	221,335
Other liabilities	27	475,056	581,651
TOTAL LIABILITIES		24,226,469	27,886,190


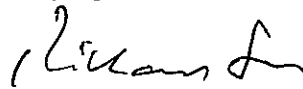
The notes on pages 12 to 89 form part of these financial statements.

**BANK OF SHANGHAI (HONG KONG) LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2025
(EXPRESSED IN HONG KONG DOLLARS)**

	Note	2025 \$'000	2024 \$'000
Capital and reserves	28		
Share capital	28(a)	6,305,476	6,305,476
Retained profits		(1,277,853)	(1,358,307)
Other reserves		<u>86,075</u>	<u>34,855</u>
TOTAL EQUITY		<u>5,113,698</u>	<u>4,982,024</u>
TOTAL EQUITY AND LIABILITIES		<u>29,340,167</u>	<u>32,868,214</u>

Approved and authorised for issue by the board of directors on 23 April 2026

)	
)	
Chen Xuanqiang)	
)	
)	Directors
)	
Sun Po Yuen)	

The notes on pages 12 to 89 form part of these financial statements.

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025
(EXPRESSED IN HONG KONG DOLLARS)

	Note	Share capital \$'000	Retained Profits \$'000	Revaluation reserve \$'000	Capital contribution \$'000	Exchange reserve \$'000	Total \$'000
Balance at 1 January 2024		6,305,476	(248,734)	(457,549)	129,874	(41,413)	5,687,654
Loss for the year		-	(1,109,573)	-	-	-	(1,109,573)
Other comprehensive income/(loss)	13(a)	-	-	413,507	-	(9,564)	403,943
Total comprehensive income		-	(1,109,573)	413,507	-	(9,564)	(705,630)
Issuance of new ordinary shares	28(a)	-	-	-	-	-	-
Balance at 31 December 2024 and 1 January 2025		6,305,476	(1,358,307)	(44,042)	129,874	(50,977)	4,982,024
Profit for the period		-	80,454	-	-	-	80,454
Other comprehensive income	13(a)	-	-	39,744	-	4,692	44,436
Total comprehensive income		-	80,454	39,744	-	4,692	124,890
Contribution of shareholder		-	-	-	6,784	-	6,784
Transfers		-	-	-	-	-	-
Balance at 31 December 2025		<u>6,305,476</u>	<u>(1,277,853)</u>	<u>(4,298)</u>	<u>136,658</u>	<u>(46,285)</u>	<u>5,113,698</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025
(EXPRESSED IN HONG KONG DOLLARS)

	Note	2025 \$'000	2024 \$'000
Net cash inflow/(outflow) from operating activities	33(a)	437,876	(1,229,323)
Investing activities			
Proceeds from sales and redemption of investment securities		5,738,158	8,873,130
Purchases of property and equipment and intangible assets	20, 21	(4,389)	(8,268)
Purchase of investment securities		(5,568,606)	(6,042,458)
Interest received from investment securities		387,338	485,508
Net cash inflow from investing activities		<u>552,501</u>	<u>3,307,912</u>
Financing activities			
Proceeds from other debt securities	33(d)	9,050,749	5,500,000
Redemption of other debt securities	33(d)	(9,800,000)	(5,488,774)
Interest paid for the other debt securities		(80,413)	(127,096)
Net proceeds from other borrowings		(1,630)	13,726
Interest paid for other borrowings		(952)	(22,586)
Capital element of lease rental paid		(14,357)	(21,610)
Interest element of lease rental paid		(1,567)	(582)
Net cash outflow from financing activities		<u>(848,170)</u>	<u>(146,922)</u>
Increase in cash and cash equivalents		142,207	1,931,667
Cash and cash equivalents at 1 January		2,891,769	957,807
Effects of foreign exchange rate changes		4,748	2,295
Cash and cash equivalents at 31 December	33(b)	<u>3,038,724</u>	<u>2,891,769</u>

The notes on pages 12 to 89 form part of these financial statements.

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES

(a) General information

The principal activities of Bank of Shanghai (Hong Kong) Limited (the "Company") and its subsidiaries (together the "Group") are to provide banking and related financial services to corporations and individuals.

Founded in 2013, Bank of Shanghai (Hong Kong) Limited (the "Company" or the "Bank"), a wholly owned subsidiary of Bank of Shanghai Co., Limited, is a restricted license bank incorporated and domiciled in Hong Kong with the registered office and principal place of business at 34th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong.

Principal activities and other particulars of the Group's subsidiaries are set out in Note 19 to the financial statements.

Before 1 July 2022, for regulatory reporting purposes, the Company is required to compute its capital adequacy ratios and leverage ratio on unconsolidated basis that is different from the basis of consolidation for accounting purposes. As a result of the review of the scope of consolidation for regulatory purposes, the Bank is required to calculate the key prudential ratios on both unconsolidated and consolidated basis with effective from 1 July 2022. The basis is set out in the Note 3(a) to the Regulatory Disclosure Statements. The disclosures of capital adequacy ratios, leverage ratio and liquidity maintenance ratio as required by Banking (Disclosure) Rules are available in the section of Regulatory Disclosures on our website.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the financial statements of the Company and its subsidiaries and the Group's interest on an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Basis of preparation of the financial statements (continued)

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- debt and equity securities measured at fair value through profit and loss or fair value through other comprehensive income (see Note 1(f));
- derivative financial instruments (see Note 1(f)); and
- financial liabilities at fair value through profit and loss (see Note 1(f)).

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1 (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees, any impairment losses for the year and the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income are recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

Classification and subsequent measurement

Financial assets are categorised financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

Contractual cash flow characteristic mainly refer to whether the assets constitute a "basic lending arrangement" where their contractual cash flows represent solely payments of principal and interest ("SPPI").

- Debt instruments are measured at amortised cost when they are in a "hold to collect" ("HTC") business model and have contractual cash flows that are SPPI in nature. The objective of a HTC business model is to collect contractual principal and interest cash flows. Sales are incidental to the objective and expected to be either insignificant or infrequent.
- Debt instruments are measured at fair value through other comprehensive income (FVOCI) when they are in a "hold to collect & sell" ("HTC&S") business model and have cash flows that are SPPI in nature. Both the collection of contractual cash flows and sales are integral to achieving the objective of the HTC&S business model.

Unrealised gains or losses on FVOCI debt instruments are recorded in other comprehensive income and accumulated in FVOCI reserves. When they are sold, the accumulated fair value adjustments in FVOCI are reclassified to profit or loss as "Net income from investment securities".

- Debt instruments are measured at FVPL when:
 - i. the assets are not SPPI in nature;
 - ii. the assets are not part of a "HTC" or "HTC & S" business model; or
 - iii. the assets are designated at FVPL so as to eliminate or significantly reduce the measurement or recognition inconsistencies that would otherwise arise from measuring assets or liabilities on different bases.

Realised and unrealised gains or losses on FVPL financial assets, are taken to "Net income/ (loss) from financial instruments measured at fair value" in the consolidated statement of profit or loss and other comprehensive income in the period they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Classification and subsequent measurement (continued)

- Subsequent changes in fair value of non-trading equity instruments can be taken through profit or loss or other comprehensive income, as elected. Other than dividend income, gains and losses on FVOCI equity instruments are recorded in other comprehensive income and accumulated in FVOCI reserves, and are not reclassified to profit or loss upon derecognition.
- Derivatives (including derivatives embedded in financial liabilities but separated for accounting purposes) are also classified as held for trading unless they are designated as hedging instruments. Derivatives are classified as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives other than those designated as hedging instruments in cash flow or net investment hedges are included in "Net income/(loss) from financial instruments measured at fair value".

Reclassification of financial assets

Reclassification of financial assets are prohibited unless the Group changes its business model for managing financial assets. In practice, this is expected to be infrequent.

Determination of fair value

The fair value of financial asset is the price that would be received if the asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. Fair value is generally estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. Where applicable, a valuation reserve or pricing adjustment is applied to arrive at the fair value. The determination of fair value is considered a material accounting policy for the Group and further details are disclosed in Note 5(e) on fair value measurements.

Offsetting

Financial assets and liabilities are presented in net when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle them on a net basis, or realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred together with substantially all risks and rewards of ownership.

The Group enters into certain transactions whereby it transfers financial assets recognised on its statement of financial position but retains either all or a portion of the risks and rewards of the transferred financial assets. In such cases, the transferred financial assets are not derecognized from the statement of financial position. This also includes certain transactions where control over the financial asset is retained.

(g) Right-of-use assets, property and equipment

The following items of right-of-use assets (RoU), property and equipment are stated at cost less accumulated deprecation and impairment losses (see Note 1 (k)):

- RoU assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying equipment (see Note 1 (i)).

Gains or losses arising from the retirement or disposal of RoU asset or item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of RoU assets and property and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

- | | |
|---|--|
| – Leasehold improvements | Shorter of the lease term or their estimated useful lives to the Group, being no more than 50 years after the date of completion |
| – Furniture, computer and other equipment | 2 – 5 years |
| – Motor vehicles | 4 – 5 years |

Where parts of an item of RoU asset or property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Depreciation method, useful life of an asset and its residual value, if any, are reviewed annually and adjusted if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets

Intangible assets included software and club membership. Intangible assets are stated in the statement of financial position at cost less accumulated amortisation and impairment losses (see Note 1 (k)).

Amortisation of intangible assets with finite useful lives is charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follow:

– Software	1 – 5 years
------------	-------------

(i) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 1(g) and 1(k)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Lease (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(j) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collaterals through court proceedings or voluntary delivery of possession by the borrowers. Where it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrowers, repossessed assets are reported in "Other assets". The Group does not hold the repossessed assets for its own use.

Repossessed assets are recorded at the lower of the amount of the related loans and advances and fair value less costs to sell at the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the consolidated statement of financial position. They are not depreciated or amortised.

(k) Credit losses and impairment of assets

Impairment for financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on the following items:

- financial assets measured at amortised cost (including cash and bank balances and other assets);
- investment in debt securities measured at fair value through other comprehensive income (FVOCI);
- financial guarantees; and
- undrawn loan commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Credit losses and impairment of assets (continued)

Impairment for financial assets (continued)

The ECL is measured using an approach which classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile. A financial asset is classified under:

- Stage 1, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk. The ECL of a Stage 1 financial asset will be the credit loss that is expected to result from a default occurring over the next 12 months;
- Stage 2, if it was not credit-impaired upon origination but has subsequently experienced a significant increase in credit risk. The ECL of a Stage 2 financial asset will be the credit loss that is expected over the expected remaining life of the financial asset;
- Stage 3, if it has been credit-impaired with objective evidence of default. The assessed ECL for a Stage 3 financial asset is also the credit loss that is expected over the expected remaining life of the financial asset.

The impairment requirements of HKFRS 9 require management judgements, estimates and assumptions, particularly in the areas discussed below.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessments of future economic conditions. The measurement of ECL is based primarily on the product of the instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted using the Effective Interest Rate to the reporting date.

Expected Life

When measuring the ECL for Stage 2 assets, cashflows over the expected remaining life of the financial asset are considered. For most financial instruments, this is the same as the remaining contractual life which represents the maximum contractual period over which the Group is exposed to the credit risk of the customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Credit losses and impairment of assets (continued)

Assessment of significant increase in credit risk

The analysis underpinning the assessment of whether a financial asset has experienced a significant increase in credit risk since origination is multi-factor in nature, with a range of qualitative and quantitative parameters taken into consideration.

Financial assets are deemed to have experienced a significant increase in credit risk when: (1) observed changes in the probability of default, as measured in the downgrade in internal credit risk rating for each obligor between initial recognition and reporting date, are more than pre-specified thresholds; (2) exposures are placed on certain categories of internal credit for closer scrutiny of developing credit issues;

In any event, all exposures that are more than 30 days past due are considered to have demonstrated a significant increase in credit risk and are classified as Stage 2.

A Stage 2 exposure can be upgraded to Stage 1 if it is assessed that there is assurance of a sustainable improvement in its credit profile.

Definition of default for credit-impaired financial assets

Exposures are classified as Stage 3 if deemed to be credit-impaired or have suffered objective evidence of default as at the reporting date. The definition of default that is applied upon adoption of HKFRS 9 is consistent with that specified in the Basel regulatory capital rules.

The Group assesses whether there is evidence that a financial asset or a group of financial assets is impaired at the end of each reporting period, The Group carries out regular and systematic reviews of all credit facilities extended to customers. The criteria that the Group uses to determine whether there is evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor, including breach of covenants and/or financial conditions;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Granting of a concession to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, that the Group would not otherwise consider;
- High probability of bankruptcy or other financial reorganisation of the borrower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Credit losses and impairment of assets (continued)

Definition of default for credit-impaired financial assets (continued)

In any event, all exposures that are 90 days past due or more are classified under Stage 3.

A Stage 3 exposure can be upgraded to Stage 2 if there are reasonable grounds to conclude that the obligor is able to service future principal and interest payments on the credit facility in accordance with the restructured terms.

Management overlay and judgements

Additional considerations that are assessed to have been inadequately addressed in the ECL model estimates are addressed through the application of a management overlay framework. This incorporates considerations such as: (1) potential loss assessments on watchlist cases, based on expert credit judgement; (2) observed model limitations; and (3) thematic events.

ECL adjustments arising from the exercise of the management overlay are subject to a robust review and governance process.

Credit judgment is an integral part of ECL quantification in view of the close integration with the credit risk management process of the Group. This includes, for example, risk rating assignment, watchlist process, as well as input into the assessment of significant increase in credit risk, expected remaining life and macroeconomic forecast.

Impairment for non-financial assets

At each reporting date, the Group reviews the carrying amounts of the other non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Credit losses and impairment of assets (continued)

Impairment for non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks and central bank, and short-term, highly liquid inter-bank placements and investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances with banks and central bank, placements with banks and investment securities.

Two subsidiaries of the Group maintain trust accounts with authorized institutions for clients' monies arising from their normal course of the regulated business activities. The Group has classified the balance within cash and bank balances in the statement of financial position and recognised the corresponding payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies.

(m) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(n) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Loan commitments, letters of credit, financial guarantees and provisions

(i) *Loan commitments*

Loan commitments are not financial instruments and are not recognised on statement of financial position but are disclosed as off-balance sheet in accordance with HKAS 37. They form part of the disclosures in Note 31. Upon a loan draw-down, the amount of the loan is accounted for as described in Note 1 (f).

(ii) *Letters of credit*

Letters of credit are recorded off-balance sheet as contingent liabilities upon issuance, and corresponding payables to the beneficiaries and receivables from the applicants are recognised on-balance sheet upon acceptance of the underlying documents.

(iii) *Financial guarantees*

A financial guarantee is initially recognised in the financial statements at fair value on the date the guarantee is given. Financial guarantees are subsequently measured at the higher of:

- The amount of the ECL (Note 1 (k)),
- The unamortised portion of the fees that were received on initial recognition.

The fee is recognised over time as income in accordance with the principles in Note 1(p).

Off-balance sheet credit exposures are managed for credit risk in the same manner as financial assets.

(iv) *Provisions*

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of asset events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition

The Group has applied the five-step approach as prescribed in HKFRS 15 in assessing the nature of each revenue stream. Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Interest income*

Interest income for all interest-bearing financial instruments is recognised in the profit or loss on a time proportion basis using the effective interest method as prescribed by HKFRSs.

The calculation includes significant fees and transaction costs that are an integral to the effective interest rate, as well as premiums or discounts.

For impaired loans, the accrual of interest income based on the original terms of the loan is discontinued, but any increase in the present value of impaired loans due to the passage of time is reported as interest income.

(ii) *Fee and commission income*

The Group earns fee and commission income from a diverse range of products and services provided to its customers.

Fee and commission income are recognised when the Group has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates agreed with customers, net of expected waivers based on historical experience, and net of expenses directly related to it. The Group generally satisfies its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include underwriting fee, brokerage fees, and fees related to the completion of corporate finance transactions.
- For a service that is provided over a period of time, fee and commission income is recognised on time proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services can be billed to customers in advance or periodically over time. Such fees include the income from issuance of financial guarantees and loan agency service fees.

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Revenue recognition (continued)

(ii) Fee and commission income (continued)

The Group does not provide any significant credit terms to customers for the above products and services.

Directly related expenses typically include brokerage fees and commission paid, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

(iii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment is quoted ex-dividend.

(q) Repurchase agreements

Repurchase agreements ("Repos") are arrangements where the Group sold the securities but subject to a commitment to repurchase or redeem the securities at a pre-determined price. The securities are retained on the balance sheet as the Group retains substantially all the risk and rewards of ownership. The consideration received is recorded as financial liabilities in "financial assets sold under repurchase agreement".

(r) Translation of foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

1 GENERAL INFORMATION AND MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

2 CHANGE IN ACCOUNTING POLICY

Adoption of new or amended accounting standards

The Group has applied amendments to HKAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability, issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the company has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, Financial instruments and HKFRS 7, <i>Financial instruments: disclosures – Contracts referencing nature-dependent electricity</i>	1 January 2026
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, income taxes and discontinued operations categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

3 CRITICAL ACCOUNTING ESTIMATES

The Group's accounting policies and use of estimates are integral to the reported results. Certain accounting estimates require management's judgement in determining the appropriate methodology for valuation of assets and liabilities. Procedures are in place to ensure that methodologies are reviewed and revised as appropriate. The Group believes its estimates for determining the valuation of its financial assets and liabilities are appropriate.

The following is a brief description of the Group's critical accounting estimates that involve management's valuation judgement.

(a) Impairment of financial assets

It is the Group's policy to recognise, through charges against profit, allowances in respect of estimated and inherent credit losses in its portfolio as described in Note 1 (k).

ECLs are probability-weighted amounts determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessments of future economic conditions, which will necessarily involve the use of judgement Including:

- The Group's internal credit rating model, which assigns probability of defaults to all accounts.
- The Group's significant credit determination criteria for assessing whether the financial assets impairment allowances should be measured on a lifetime ECL basis,
- The identification of macro-economic factors impacting the default rate of our portfolio through statistical regression analysis of the variables on a proxy portfolio given the limited default data of the Group.
- The determination of the three economic scenarios (base, good and bad) with reference to three different levels of the macro-economic factors and the assignment of the weighting on each scenario, which are determined by a combination of statistical analysis and expert credit judgement.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcome may be significantly different to those projected.

However, the forecasts are considered as the best estimate of the possible outcomes and chosen scenarios are the appropriately representative of the possible scenarios at that point of the time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

3 CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

(a) Impairment of financial assets (continued)

Credit judgement is an integral part of ECL quantification in view of the close integration with the credit risk management process of the Group, including management overlay. However, the ECL model is still sensitive to the rapid change of the macro-economic factors. The Group has internal governance in place to regularly monitor management judgemental adjustments to reduce the inappropriate volatility of the ECL figures.

In estimating specific allowances under HKFRS 9, the Group assesses the gap between borrowers' obligations to the Group and their repayment ability. The assessment takes into account various factors, including the economic or business outlook, the future profitability of the borrowers and the liquidation value of collateral. Such assessment requires considerable judgement.

The general allowances under HKFRS 9 are determined after taking into account historical data and management's assessment of the current economic and credit environment.

(b) Fair value of financial instruments

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices or on internally developed models that are based on independently sourced market parameters.

The fair value of financial instruments without an observable market price in a liquid market may be determined using valuation models. The choice of model requires significant judgement for complex products.

Policies and procedures have been established to facilitate the exercise of judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process.

Please refer to Note 5(e) for details on valuation process and the fair value hierarchy of the Group's financial instruments measured at fair value.


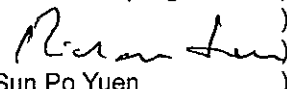
BANK OF SHANGHAI (HONG KONG) LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

4 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2025 \$'000	2024 \$'000
Assets			
Cash and balances with banks and central bank		1,721,640	1,491,393
Placements with and advances to banks		199,994	582,388
Financial assets at fair value through profit or loss		–	112,214
Derivative financial assets		23,951	114,577
Loans and advances to customers		16,943,217	20,466,722
Investment securities		8,311,192	7,873,190
Investment in a subsidiary	19	38,000	2,122,000
Property and equipment		35,147	49,289
Intangible assets		1,817	1,990
Current tax recoverable		–	–
Deferred tax assets		45,106	58,573
Other assets		356,721	249,958
TOTAL ASSETS		27,676,785	33,122,294
Deposits from customers		17,283,462	17,973,817
Deposits from banks		1,541,389	4,679,604
Financial assets sold under repurchase agreement		292,677	1,564,858
Derivative financial liabilities		83,236	29,451
Certificates of deposit and other debt securities issued		3,029,668	1,504,071
Current tax payable		24,868	–
Lease liabilities		30,780	44,694
Other liabilities		254,950	329,031
TOTAL LIABILITIES		22,541,030	26,125,526
Capital and reserves	28(b)		
Share capital		6,305,476	6,305,476
Retained profits		(1,180,904)	696,007
Other reserves		11,183	(4,715)
TOTAL EQUITY		5,135,755	6,996,768
TOTAL EQUITY AND LIABILITIES		27,676,785	33,122,294

Approved and authorised for issue by the board of directors on 23 April 2026


 Chen Xuanqiang) Directors

 Sun Po Yuen)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial and operational risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The most important types of financial risks are credit risk, market risk and liquidity risk. Market risk includes currency risk, interest rate and price risk.

Taking risk is core to the financial business, and the financial and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks so as to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to cope with changes in markets, products and industry best practice.

Risk management functions are carried out by the specialised committees, management committees and the functional departments under the oversight of the Board of Directors (the "Board"). The Board provides guiding principles and directives for overall risk management including necessary policies covering the important risks as described below.

The Group has adopted a "Three Lines of Defense" risk management structure. The first line of defense comprises the Group's business units, which are responsible for the management of the risks that they incur in the course of their activities. The Risk Management Department and Compliance Department provide independent oversight over the risk takers as the second line of defense. Reporting directly to the Audit Committee, the Group's Internal Audit Department serves as the third line of defense.

The Board, through Audit Committee, assesses the effectiveness of the Group's risk management and internal control systems which cover all material controls, including financial, operational and compliance controls. The Group has established an Audit Committee with specific written Terms of Reference which deal clearly with its authority and duties. The Terms of Reference of the Audit Committee have included the duties set out in the Corporate Governance Policy, with appropriate modifications where necessary. The Internal Audit Department assists the Audit Committee in its oversight of the Group's overall risk management and internal control systems by conducting periodic reviews to assess the adequacy of the Group's risk management framework, control, and governance processes as designed by the first and second lines of defense.

Pursuant to a risk based approach, the Group's Internal Audit Department prepares an annual audit plan to determine the extent, nature and frequency of audit assignments every year. The Internal Audit Department conducts independent reviews of control mechanism over various operations and activities according to the plan. The senior management of the Group and regulator may also engage Internal Audit Department to conduct ad-hoc and specific reviews from time to time. Significant audit findings and the implementation status of audit recommendations are reported to the Audit Committee at least twice each year.

There were no material changes to the policies and practices for the management of risk in 2025. The management actively managing the risks resulting from the volatile economic environment and its impact on our customers and operations during 2025 as well as other key risks described in this section.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk is the potential losses caused by obligor's inability to fulfil their contractual debt obligations. It arises from lending, treasury, derivatives and other activities undertaken by the Group. Credit exposures arise principally in loans and advances and debt securities in the Group's asset portfolio.

There is also credit risk in off-balance sheet financial arrangements such as loan commitments.

The Group has established core procedures to foster its credit discipline in accordance with its credit policies. The Group's approach to credit risk management focuses on monitoring and managing credit portfolios. Regular portfolio analysis is conducted to track the asset quality and determine credit underwriting strategies on an ongoing basis. The Group's exposures to individuals, counterparties and products are subject to various risk control limits which are reviewed and approved from time to time. The senior management of the Group evaluates and approves new product proposals, credit criteria for new account relationship, and sets appropriate limits. As a rule, credit quality takes precedence over opportunistic business development.

Facility requests are processed in the prescribed format, and those conforming to defined credit criteria are approved within the delegated credit approval authorities in compliance with established policies, standards and procedures. The Group's credit risk is being mitigated by taking security in secured lending transactions. Credit exceptions to established underwriting criteria must be approved by the officers or committees with sufficient exception approval authority. Exceptions are documented, tracked or reported to senior management/committees for review on a regular basis.

All credit exposures are subject to stringent collection, classification and charge-off policies. In addition, the Group applies ECL model to determine the appropriate level of impairment allowances.

(i) Maximum exposure

The table below shows the maximum exposure to credit risk at the reporting date without taking account of any collaterals held or other credit enhancements. For on-balance sheet assets, the exposures shown below are based on the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities or revocable in the extent of significant adverse change, the maximum exposure to credit risk is disclosed as the full amount of the committed facilities sought on these balances.

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) *Maximum exposure (continued)*

	2025 \$'000	2024 \$'000
Cash and balances with banks and central bank	1,913,338	1,812,934
Placements with and advances to banks	278,294	781,187
Financial assets at fair value through profit and loss	592,221	588,464
Derivative financial assets	23,951	114,577
Loans and advances to customers	16,943,217	20,466,722
Investment securities	9,104,760	8,604,151
Investment in an associate	5,772	4,963
Current tax recoverable	19	–
Other assets	368,644	263,114
Loan commitments and other credit related commitments	<u>7,207,351</u>	<u>6,266,685</u>
	<u>36,437,567</u>	<u>38,902,796</u>

Credit risk mitigation, collaterals and other credit enhancement

The Group uses a variety of techniques to reduce the credit risk arising from its lending activities. Enforceable legal documentation establishes the Group's direct, irrevocable and unconditional recourse to any collaterals, security or other credit enhancement provided. The table below describes the nature of collaterals held and their financial effect by class of financial asset:

Balances and placements with banks and central bank:	These exposures are generally considered to be low risk due to the nature of the counterparties. Collaterals are generally not sought on these balances.
Derivative financial assets:	Master netting agreements are typically used to enable the effects of derivative financial assets and liabilities with the same counterparty to be offset in case of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) *Maximum exposure (continued)*

Credit risk mitigation, collaterals and other credit enhancement (continued)

Loans and advances to customers:

These exposures are secured, partially secured or unsecured depending on the type of customers and the products offered to them. Collaterals accepted by the Group includes residential properties, commercial real estates, share listed on a recognised stock exchange, standby letter of credit issued by banks accepted by the Group, bank deposits, etc.

Contingent liabilities and commitments:

The components and the nature of contingent liabilities and commitments are disclosed in Note 31. For commitments that are unconditionally cancellable, the Group would assess whether the credit facilities should be withdrawn whenever the Group is aware of the deterioration of borrower's credit quality. Accordingly, these commitments do not expose the Group to significant credit risk.

For commitments that are not unconditionally cancellable, including letter of credit issued and other credit facilities, they are secured, partially secured or unsecured depending on the type of customers and the products offered to them.

The Group receives legal claims against it arising in normal courses of business. The Group considers none of these matters as material. Where appropriate the Group recognises provisions for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation.

(ii) *Credit quality of loans and advances and placements with banks*

As at 31 December 2025 and 2024, all placements with banks were neither past due nor impaired. Note 16(e) provides information on credit quality of the loans and advances to customers.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit quality of investment securities

The following table presents an analysis of investment securities by rating agency designation at the reporting date, based on Standard and Poor's Rating Services, Moody's Investors Services or Fitch Ratings, to the respective issues of the investment securities. In the absence of such issue ratings, the ratings designated for the issuers are reported. If there are different ratings for the same securities, the securities are reported against the lowest rating.

	2025	2024
	\$'000	\$'000
AA+ to A-	8,470,888	7,526,758
BBB+ to BBB-	623,732	625,829
BB+ or below	<u>10,140</u>	<u>451,564</u>
	<u>9,104,760</u>	<u>8,604,151</u>

(iv) Enforceable netting arrangements or similar agreements

For the financial assets and liabilities subject to enforceable netting arrangements or similar agreements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of enforceable netting arrangements or similar agreements, financial assets and liabilities will be settled on a gross basis. However, each party to the master netting arrangement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

These agreements include derivative master agreements (including the International Swaps and Derivatives Association Master Agreement), etc. The collaterals received and placed under these agreements are generally conducted under terms that are in accordance with normal market practices.

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Enforceable netting arrangements or similar agreements (continued)

The tables below present details of financial instruments subject to enforceable netting arrangements and similar agreements.

As at 31 December 2025

	Gross amounts of recognised financial assets \$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position \$'000	Net amounts of financial assets presented in the consolidated statement of financial position \$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments \$'000	Cash collaterals received \$'000	Net amount \$'000
Derivative financial assets	<u>23,951</u>	<u>–</u>	<u>23,951</u>	<u>(23,863)</u>	<u>(88)</u>	<u>–</u>

	Gross amounts of recognised financial liabilities \$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position \$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position \$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments \$'000	Cash collaterals pledged \$'000	Net amount \$'000
Derivative financial liabilities	<u>83,236</u>	<u>–</u>	<u>83,236</u>	<u>(23,863)</u>	<u>–</u>	<u>59,373</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Enforceable netting arrangements or similar agreements (continued)

As at 31 December 2024

	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial assets \$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position \$'000	Net amounts of financial assets presented in the consolidated statement of financial position \$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments \$'000	Cash collaterals received \$'000	Net amount \$'000
Derivative financial assets	<u>114,577</u>	<u>–</u>	<u>114,577</u>	<u>(29,451)</u>	<u>–</u>	<u>85,126</u>

	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position \$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position \$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position \$'000	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments \$'000	Cash collaterals pledged \$'000	Net amount \$'000
Derivative financial liabilities	<u>29,451</u>	<u>–</u>	<u>29,451</u>	<u>(29,451)</u>	<u>(65,716)</u>	<u>(65,716)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(v) *Forward-looking information incorporated in ECL model*

Economic variable assumptions

The Bank adopts a two macroeconomic factors model for assessing forward-looking adjustment with the forecasts of real GDP growth rate of China and US. The macroeconomic factors are maintained based on statistical data tests and expert judgement to ensure that relevant factors could be taken into consideration in the ECL models.

Scenario applied on the Bank

Scenario – Good Base and Bad are determined based on the underlying assumptions described in the below table. In particular, Scenario – Base refers to a set of macroeconomic forecasts from reputable economic research institutions, Scenario Good and Bad are calculated based on different confidence interval of economic forecasts.

Underlying assumptions of the scenario

- Scenario – Good

This scenario is determined by applying the upper bound of 95% confidence interval of the macroeconomic forecasts into calculation.

- Scenario – Base

Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. This scenario is based on a set of macroeconomic forecasts sourced from reputable economic research institutions.

- Scenario – Bad

This scenario is determined by applying the lower bound of 95% confidence interval of the macroeconomic forecasts into calculation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (EXPRESSED IN HONG KONG DOLLARS)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(v) *Forward-looking information incorporated in ECL model (continued)*

Underlying assumptions of the scenario (continued)

Period-end assumptions used for the ECL estimate are set out as below.

		China		US	
		2025	2024	2025	2024
Real GDP Growth Rate (%)	Good	8.80	9.75	7.14	7.68
	Base	4.06	4.89	1.37	1.92
	Bad	-0.68	0.02	-4.39	-3.83

Scenario probabilities

To derive the scenario probabilities, an economic state analysis is performed by using historical data that covers peaks and troughs of economic cycles to ensure the calculated result stay unbiased. Moreover, to capture latest developments of the market and economy, assessments are performed by Risk Management with expert judgement exercised for the determination of the probability weightings application to the three scenarios.

The weightings assigned to the three scenarios were 10% (Good), 80% (Base) and 10% (Bad) as at 31st December 2025 for the Bank.

The weightings assigned to normal Scenario Good (10%)/Base (80%)/Bad (10%) and COVID-19 Scenario were 85% and 15% respectively as at 31st December 2024 for the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is the risk of loss on assets, liabilities and commitments arising from the net effect of changes in market rates, such as foreign exchange rates and interest rates.

The Group entered into foreign exchange, interest rate and money market transactions, primarily for the purpose of hedging, funding or deployment of surplus liquidity. Financial instruments entered into in respect of the above objectives mainly include forward foreign exchange contracts, money market transactions and interest rate swap transactions.

(i) Currency risk

The Group takes on exposure due to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of certain foreign exchange exposures, which were managed by Treasury Department and monitored by Risk Management Department. The Group employs forward foreign currency exchange contracts, if applicable, to maintain its overall foreign currency exposure within such currency limit. The table below summarises the Group's exposures to foreign currency exchange rate risks that are recorded in the statement of financial position.

The following table indicates the currency concentration of the assets and liabilities at carrying amounts in Hong Kong dollars equivalent, categorised by original currency.

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(i) Currency risk (continued)

At 31 December 2025

	HKD \$'000	USD \$'000	EUR \$'000	RMB \$'000	Others \$'000	Total \$'000
Assets						
Cash and balances with banks and central bank	402,865	1,149,680	4,541	342,484	13,768	1,913,338
Placements with and advances to banks	278,294	-	-	-	-	278,294
Financial assets at fair value through profit and loss	-	235,498	-	356,723	-	592,221
Derivative financial assets	-	3,939	-	20,012	-	23,951
Loans and advances to customers	5,746,558	5,949,111	779,713	4,467,835	-	16,943,217
Investment securities	2,603,266	6,072,772	-	428,722	-	9,104,760
Investment in an associate	-	-	-	5,772	-	5,772
Property and equipments	35,353	-	-	983	-	36,336
Intangible assets	1,817	-	-	-	-	1,817
Current tax recoverable	-	19	-	-	-	19
Deferred tax assets	45,512	-	-	13,321	-	58,833
Other assets	71,902	253,817	1,433	54,457	-	381,609
Total assets	9,185,567	13,664,836	785,687	5,690,309	13,768	29,340,167
Deposits from customers	3,700,473	12,937,538	-	218,374	522	16,856,907
Deposits from banks	-	1,541,389	-	-	-	1,541,389
Financial assets sold under repurchase agreement	292,677	-	-	-	-	292,677
Derivative financial liabilities	-	6,176	-	77,060	-	83,236
Certificates of deposit and other debt securities issued	2,054,428	2,619,310	-	-	-	4,673,738
Current tax payable	49,630	2	-	1,213	-	50,845
Deferred tax liabilities	-	-	-	89	-	89
Lease liabilities	30,984	-	-	1,846	-	32,830
Other borrowings	-	-	-	219,702	-	219,702
Other liabilities	73,384	193,372	1,796	206,504	-	475,056
Total liabilities	6,201,576	17,297,787	1,796	724,788	522	24,226,469
	2,983,991	(3,632,951)	783,891	4,965,521	13,246	5,113,698

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(i) Currency risk (continued)

At 31 December 2024

	HKD \$'000	USD \$'000	EUR \$'000	RMB \$'000	Others \$'000	Total \$'000
Assets						
Cash and balances with banks and central bank	303,668	1,326,610	1,133	168,443	13,080	1,812,934
Placements with and advances to banks	3,051	778,136	-	-	-	781,187
Financial assets at fair value through profit and loss	-	232,163	-	356,301	-	588,464
Derivative financial assets	-	33,644	-	80,933	-	114,577
Loans and advances to customers	7,944,827	7,903,078	1,126,700	3,492,117	-	20,466,722
Investment securities	2,540,943	4,704,312	-	1,358,896	-	8,604,151
Investment in an associate	-	-	-	4,963	-	4,963
Property and equipments	49,341	-	-	151	-	49,492
Intangible assets	1,990	-	-	-	-	1,990
Deferred tax assets	59,005	-	-	113,163	-	172,168
Other assets	82,759	108,309	3,909	76,537	52	271,566
Total assets	10,985,584	15,086,252	1,131,742	5,651,504	13,132	32,868,214
Deposits from customers	4,094,873	11,203,755	24,757	1,136,302	509	16,460,196
Deposits from banks	230,000	4,269,426	-	180,178	-	4,679,604
Financial assets sold under repurchase agreement	130,070	1,434,788	-	-	-	1,564,858
Derivative financial liabilities	-	2,721	-	26,730	-	29,451
Certificates of deposit and other debt securities issued	3,399,949	854,122	-	-	-	4,254,071
Current tax payable	38,520	19	-	11,748	-	50,287
Lease liabilities	44,737	-	-	-	-	44,737
Other borrowings	-	-	-	221,335	-	221,335
Other liabilities	99,186	275,944	1	206,520	-	581,651
Total liabilities	8,037,335	18,040,775	24,758	1,782,813	509	27,886,190
	2,948,249	(2,954,523)	1,106,984	3,868,691	12,623	4,982,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow interest rate risk. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which were managed by Treasury Department and monitored by Risk Management Department daily.

As at 31 December 2025, if market interest rates were 1% higher while other variables maintained constant, profit before taxation for the year would have been \$52 million higher (2024: \$123 million higher). If market interest rates were 1% lower while other variables held constant, profit before taxation for the year would have been \$52 million lower (2024: \$123 million lower).

The table below summarises the Group's exposure to interest rate risk. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

At 31 December 2025

	Within 1 month \$'000	Over 1 month but within 3 months \$'000	Over 3 months but within 1 year \$'000	Over 1 year but within 5 years \$'000	Over 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Assets							
Cash and balances with banks and central bank	1,815,138	-	-	-	-	98,200	1,913,338
Placements with and advances to banks	199,994	-	78,300	-	-	-	278,294
Financial assets at fair value through profit or loss	-	-	-	188,589	46,909	358,723	592,221
Derivative financial assets	13,684	2,727	7,540	-	-	-	23,951
Loans and advances to customers	7,890,095	1,570,400	2,800,554	4,682,168	-	-	16,943,217
Investment securities	306,654	1,084,356	1,350,049	5,777,783	605,918	-	9,104,760
Investment in an associate	-	-	-	-	-	5,772	5,772
Property and equipment	-	-	-	-	-	36,336	36,336
Intangible assets	-	-	-	-	-	1,817	1,817
Current tax recoverable	-	-	-	-	-	19	19
Deferred tax assets	-	-	-	-	-	58,833	58,833
Other assets	18,876	28,318	22,800	105,586	-	206,029	381,609
TOTAL ASSETS	10,244,441	2,665,801	4,259,243	10,754,126	652,827	763,729	29,340,167
Liabilities							
Deposits from customers	6,090,927	7,117,718	3,648,262	-	-	-	16,856,907
Deposits from banks	1,307,846	233,543	-	-	-	-	1,541,389
Financial assets sold under repurchase agreement	292,677	-	-	-	-	-	292,677
Derivative financial liabilities	40,230	15,990	27,016	-	-	-	83,236
Certificates of deposit and other debt securities issued	3,773,897	491,364	408,477	-	-	-	4,673,738
Current tax payable	-	-	-	-	-	50,845	50,845
Deferred tax liabilities	-	-	-	-	-	89	89
Lease liabilities	1,481	2,976	12,352	16,021	-	-	32,830
Other borrowings	-	-	-	219,702	-	-	219,702
Other liabilities	136,928	59,263	22,794	-	-	256,071	475,056
	11,643,986	7,920,854	4,118,901	235,723	-	307,005	24,226,469
TOTAL LIABILITIES	(1,399,545)	(5,255,053)	140,342	10,518,403	652,827	458,724	5,113,698

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

At 31 December 2024

	Within 1 month \$'000	Over 1 month but within 3 months \$'000	Over 3 months but within 1 year \$'000	Over 1 year but within 5 years \$'000	Over 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Assets							
Cash and balances with banks and central bank	1,231,388	-	-	-	-	581,546	1,812,934
Placements with and advances to banks	738,548	42,639	-	-	-	-	781,187
Financial assets at FVTPL	-	-	-	217,179	14,984	356,301	588,454
Derivative financial assets	-	-	-	-	-	114,577	114,577
Loans and advances to customers	9,149,173	2,611,520	3,267,654	5,438,375	-	-	20,466,722
Investment securities	169,547	958,636	1,353,460	5,697,953	424,555	-	8,604,151
Investment in an associate	-	-	-	-	-	4,963.00	4,963
Plant and equipment	-	-	-	-	-	49,492	49,492
Intangible assets	-	-	-	-	-	1,990.00	1,990
Deferred tax assets	-	-	-	-	-	172,168	172,168
Other assets	71,395	93,624	35,651	-	-	70,896	271,566
Total assets	11,360,051	3,706,419	4,656,765	11,353,507	439,539	1,351,933	32,868,214
Liabilities							
Deposits from customers	12,586,100	2,812,857	1,061,239	-	-	-	16,460,196
Deposits from banks	3,402,826	1,276,778	-	-	-	-	4,679,604
Financial assets sold under repo	1,047,790	517,068	-	-	-	-	1,564,858
Derivative liabilities	-	-	-	-	-	29,451	29,451
Certificate of deposits and other debt securities issued	-	2,736,486	1,517,585	-	-	-	4,254,071
Current tax payable	-	-	-	-	-	50,287	50,287
Lease liabilities	1,436	2,886	10,073	30,342	-	-	44,737
Other borrowings	-	-	30,844	190,491	-	-	221,335
Other liabilities	89,569	79,921	51,970	-	-	360,191	581,651
	17,127,721	7,425,996	2,671,711	220,833	-	439,929	27,866,190
Total liabilities	(5,767,670)	(3,719,577)	1,985,054	11,132,674	439,539	912,004	4,982,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Group may not be able to maintain sufficient funding to meet its financial obligations as they fall due. This may be caused by market disruption or liquidity squeeze whereby the Group may only unwind specific exposures at significantly discounted values. The Group adopts a prudent risk appetite in setting liquidity risk tolerance. Risk appetite is set in the form of liquidity risk limit and metrics.

The Asset and Liability Committee ("ALCO") is a management committee delegated by the Board to oversee the liquidity risk of the Group. ALCO is responsible for reviewing and approving liquidity risk management strategies and, with the delegation to the Market Risk Division, monitoring the Group's liquidity position.

Monitoring and reporting takes the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. Sources of liquidity are reviewed to maintain a diversification of providers, products and terms.

Liquidity stress testing is regularly conducted to project the Group's cash flow condition under stress scenarios and evaluate the sufficiency of liquidity. The stress test results are regularly reported to the ALCO.

Treasury Department is responsible for the day-to-day liquidity management, includes:

- day-to-day funding management by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or provision of funds to be borrowed by customers;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- managing the concentration and profile of debt maturities; and
- monitoring unmatched medium-term assets, the level and type of undrawn lending commitments and the impact of contingent liabilities.

Market Risk Division and the Finance Department produce relevant liquidity reports for internal monitoring and regulatory reporting purpose.

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Maturity analysis

The table below shows the maturity profile of assets and liabilities analysed by the remaining period to repayment as at the reporting date:

At 31 December 2025

	Repayable on demand \$'000	Within 1 month \$'000	Over 1 month but within 3 months \$'000	Over 3 months but within 1 year \$'000	Over 1 year but within 5 years \$'000	Over 5 years \$'000	Undated \$'000	Total \$'000
Assets								
Cash and balances with banks and central bank	1,913,338	-	-	-	-	-	-	1,913,338
Placements with and advances to banks	-	199,994	-	78,300	-	-	-	278,294
Financial assets at fair value through profit or loss	-	-	-	-	188,589	46,909	356,723	592,221
Derivative financial assets	-	13,684	2,727	7,540	-	-	-	23,951
Loans and advances to customers	178,582	7,711,513	1,570,400	2,800,554	4,682,168	-	-	16,943,217
Investment securities	-	306,654	1,064,356	1,350,049	5,777,783	605,918	-	9,104,760
Investment in an associate	-	-	-	-	-	-	5,772	5,772
Property and equipment	-	-	-	-	-	-	36,336	36,336
Intangible assets	-	-	-	-	-	-	1,817	1,817
Current tax recoverable	-	-	-	19	-	-	-	19
Deferred tax assets	-	-	-	-	-	-	58,833	58,833
Other assets	1,270	149,215	28,456	22,800	111,243	-	68,625	381,609
TOTAL ASSETS	2,093,190	8,381,060	2,665,939	4,259,262	10,759,783	652,827	528,106	29,340,167
Liabilities								
Deposits from customers	-	6,090,927	7,117,718	3,648,262	-	-	-	16,856,907
Deposits from banks	-	1,307,846	233,543	-	-	-	-	1,541,389
Financial assets sold under repurchase agreement	-	292,677	-	-	-	-	-	292,677
Derivative financial liabilities	-	40,230	15,990	27,016	-	-	-	83,236
Certificates of deposit and other debt securities issued	-	3,773,897	491,364	408,477	-	-	-	4,673,738
Current tax payable	-	-	-	50,845	-	-	-	50,845
Deferred tax liabilities	-	-	-	-	-	-	89	89
Lease liabilities	-	1,481	2,976	12,352	16,021	-	-	32,830
Other borrowings	-	-	-	-	219,702	-	-	219,702
Other liabilities	482	348,726	69,276	28,696	6,623	-	21,253	475,056
TOTAL LIABILITIES	482	11,855,784	7,930,867	4,175,648	242,346	-	21,342	24,226,469
Net Liquidity Gap	2,092,708	(3,474,724)	(5,264,928)	83,614	10,517,437	652,827	506,764	5,113,698

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Maturity analysis (continued)

At 31 December 2024

	Repayable on demand \$'000	Within 1 month \$'000	Over 1 month but within 3 months \$'000	Over 3 months but within 1 year \$'000	Over 1 year but within 5 years \$'000	Over 5 years \$'000	Undated \$'000	Total \$'000
Assets								
Cash and balances with banks and central bank	1,812,934	-	-	-	-	-	-	1,812,934
Placement with and advances to banks	-	738,548	42,639	-	-	-	-	781,187
Financial assets at fair value through profit and loss	-	-	-	-	217,179	14,984	356,301	588,464
Derivative financial assets	-	-	-	-	-	-	114,577	114,577
Loans and advances to customers	122,684	9,026,489	2,611,520	3,267,654	5,438,375	-	-	20,466,722
Investment securities	-	169,547	958,636	1,353,460	5,697,953	424,555	-	8,604,151
Investment in an associate	-	-	-	-	-	-	4,963	4,963
Property and equipment	-	-	-	-	-	-	49,492	49,492
Intangible assets	-	-	-	-	-	-	1,990	1,990
Deferred tax assets	-	-	-	-	-	-	172,168	172,168
Other assets	2,269	61,019	40,027	33,541	105,578	-	29,132	271,566
Total assets	1,937,887	9,995,603	3,652,822	4,654,655	11,459,085	439,539	728,623	32,868,214
Liabilities								
Deposits from customers	-	12,586,100	2,812,857	1,061,239	-	-	-	16,460,196
Deposits from banks	-	3,402,826	1,276,778	-	-	-	-	4,679,604
Financial assets sold under repurchase agreement	-	492,025	555,765	517,068	-	-	-	1,564,858
Derivative financial liabilities	-	-	-	-	-	-	29,451	29,451
Certificates of deposit and other debt securities issued	-	1,960,000	1,566,486	727,585	-	-	-	4,254,071
Current tax payable	-	-	-	50,287	-	-	-	50,287
Lease liabilities	-	1,436	2,886	10,073	30,342	-	-	44,737
Other borrowings	-	-	-	30,844	190,491	-	-	221,335
Other liabilities	84	136,037	92,395	105,626	11,690	-	235,819	581,651
TOTAL LIABILITIES	84	18,578,424	6,307,167	2,502,722	232,523	-	265,270	27,886,190
Net Liquidity Gap	1,937,803	(8,582,821)	(2,654,345)	2,151,933	11,226,562	439,539	463,353	4,982,024

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(ii) Undiscounted cash flows by contractual maturities

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and derivative financial instruments by remaining contractual maturities at the reporting date, and also the cash flows payable in respect of other off-balance sheet items by the earliest date they could be called. The amounts disclosed in the table were the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating based on rates prevailing at the reporting date), whereas the Group manages the inherent liquidity risk based on expected undiscounted cash flows.

At 31 December 2025

	Within 1 month \$'000	Over 1 month but within 3 months \$'000	Over 3 months but within 1 year \$'000	Over 1 year but less than 5 years \$'000	Total \$'000	Carrying amount \$'000
Deposits from customers	6,199,129	7,212,629	3,729,766	–	17,141,524	16,856,907
Deposits from banks	1,318,255	238,487	–	–	1,556,742	1,541,389
Financial assets sold under repurchase agreement	293,471	–	–	–	293,471	292,677
Certificates of deposit and other debt securities issued	3,797,305	500,360	408,478	–	4,706,143	4,673,738
Lease liabilities	1,585	3,171	13,043	16,354	34,153	32,830
Other borrowings	–	1,660	5,602	221,569	228,831	219,702
Other liabilities	11,665	8,433	5,902	202,583	228,583	228,583
	<u>11,621,410</u>	<u>7,964,740</u>	<u>4,162,791</u>	<u>440,506</u>	<u>24,189,447</u>	<u>23,845,826</u>
Derivatives cash flow settled on a net basis	<u>–</u>	<u>88</u>	<u>–</u>	<u>–</u>	<u>88</u>	
Derivatives cash flow settled on a gross basis						
Total inflow	5,626,923	5,127,276	4,211,729	–	14,965,928	
Total outflow	(5,301,855)	(3,510,320)	(3,828,864)	–	(12,641,039)	
	<u>325,068</u>	<u>1,616,956</u>	<u>382,865</u>	<u>–</u>	<u>2,324,889</u>	
Other off-balance sheet items (Notes 31)						
Loan commitments and other credit related commitments	<u>640,954</u>	<u>1,067,452</u>	<u>4,784,428</u>	<u>714,517</u>	<u>7,207,351</u>	

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(ii) Undiscounted cash flows by contractual maturities (continued)

At 31 December 2024

	Within 1 month \$'000	Over 1 month but within 3 months \$'000	Over 3 months but within 1 year \$'000	Over 1 year but less than 5 years \$'000	Total \$'000	Carrying amount \$'000
Deposits from customers	5,743,298	7,020,593	3,577,870	431,298	16,773,059	16,460,196
Deposits from banks	2,691,105	754,667	1,305,758	–	4,751,530	4,679,604
Financial assets sold under repurchase agreement	494,067	562,963	538,825	–	1,595,855	1,564,858
Certificates of deposit and other debt securities issued	1,979,817	1,584,013	744,535	–	4,308,365	4,254,071
Lease liabilities	1,586	3,172	11,126	31,530	47,414	44,737
Other borrowings	88	2,080	37,157	203,825	243,150	221,335
Other liabilities	49,350	5,394	63,977	133,904	252,625	252,625
	<u>10,959,311</u>	<u>9,932,882</u>	<u>6,279,248</u>	<u>800,557</u>	<u>27,971,998</u>	<u>27,477,426</u>
Derivatives cash flow settled on a net basis	<u>(282)</u>	<u>–</u>	<u>2,850</u>	<u>3,882</u>	<u>6,450</u>	
Derivatives cash flow settled on a gross basis						
Total inflow	3,737,077	2,900,938	1,967,245	310,617	8,915,877	
Total outflow	(3,723,945)	(2,851,975)	(1,947,607)	(296,563)	(8,820,090)	
	<u>13,132</u>	<u>48,963</u>	<u>19,638</u>	<u>14,054</u>	<u>95,787</u>	
Other off-balance sheet items (Notes 31)						
Loan commitments and other credit related commitments	<u>735,474</u>	<u>1,081,730</u>	<u>5,418,266</u>	<u>758,001</u>	<u>7,993,471</u>	

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management

Being an authorised institution incorporated in Hong Kong, the Group is regulated by the Hong Kong Monetary Authority ("HKMA") which sets and monitors capital requirements for the Group.

The HKMA has issued the Banking (Capital) Rules, which require the Group to maintain adequate regulatory capital to support credit risk, market risk and operational risk.

In addition to meeting the regulatory requirements, the Group's primary objective in managing its capital is to ensure the Group's ability to continue as a going concern so that it can continue to provide returns and benefits to shareholder and other stakeholders. To achieve the targeted return, products and services are priced to commensurate with the level of risk and funds are acquired at a reasonable cost.

The Group regularly reviews and manages its capital structure to maintain a balance between shareholder returns and security afforded by a capital position, and makes adjustments to the capital structure in light of any significant changes in economic conditions.

The Group monitors its capital structure with due consideration of the capital adequacy ratio as calculated in accordance with the Banking (Capital) Rules. The Group has adopted the Standardised (Credit Risk) Approach in calculating credit risk for non-securitisation exposures.

Throughout the years of 2025 and 2024, the Group fully complied with the capital requirements imposed by the HKMA.

(e) Fair value of financial assets and liabilities

(i) *Financial assets and liabilities measured at fair value*

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information.

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: fair value measured using quoted market prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: fair value measured using valuation techniques based on observable inputs, either directly or indirectly. This category includes quoted prices in active markets for similar financial instruments, or quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value of financial assets and liabilities (continued)

(i) *Financial assets and liabilities measured at fair value (continued)*

- Level 3: fair value measured using significant unobservable inputs. This category includes inputs to valuation techniques not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Where available, the most suitable measure for fair value is the quoted market price. In absence of organised secondary markets for most of the unlisted securities and over-the-counter derivatives, direct market prices of these financial instruments may not be available.

The fair values of such instruments are therefore calculated based on established valuation techniques using current market parameters or market prices provided by counterparties. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date. For other derivative financial instruments, the Group uses estimated discounted cash flows to determine their fair value and the discount rate used is a discount rate at the end of reporting period applicable for an instrument with similar terms and conditions.

The table below analyses financial instruments, measured at fair value as at 31 December 2025, by the level in the fair value hierarchy into which the fair value treatment is categorised:

	2025			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
<i>Assets</i>				
Financial assets at fair value through profit and loss	–	235,498	356,723	592,221
Derivative financial assets (Note 30)	–	23,951	–	23,951
Investment securities at fair value through other comprehensive income (Note 17)	948,468	7,360,664	–	8,309,132
<i>Liabilities</i>				
Derivative financial liabilities (Note 30)	–	83,236	–	83,236

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value of financial assets and liabilities (continued)

(i) Financial assets and liabilities measured at fair value (continued)

	2024			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
<i>Assets</i>				
Financial assets at fair value through profit and loss	–	232,163	356,301	588,464
Derivative financial assets (Note 30)	–	114,577	–	114,577
Investment securities at fair value through other comprehensive income (Note 17)	<u>1,070,483</u>	<u>6,823,834</u>	<u>–</u>	<u>7,894,317</u>
<i>Liabilities</i>				
Derivative financial liabilities (Note 30)	<u>–</u>	<u>29,451</u>	<u>–</u>	<u>29,451</u>

During the years of 2025 and 2024, there were no transfers of financial instruments between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of the investment securities in Level 2 is determined using broker quotes as at the end of the reporting period.

Valuation of financial instruments with significant unobservable inputs

The fair value of financial assets at fair value through profit and loss in Level 3 is determined using the most recent transactions, discounted cash flow or market comparable approach. As at 31 December 2025, it is estimated that with all other variable held constant, an increase/decrease in the price of same products by 5% would have increased/decreased the Group's equity by \$18 million (2024: \$18 million).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value of financial assets and liabilities (continued)

(i) Financial assets and liabilities measured at fair value (continued)

The movement during the period in the balance of these Level 3 fair value measurements are as follows:

	Wealth management products from banks \$'000	Convertible bonds \$'000	Return of beneficial interest \$'000	Unlisted equity investments \$'000	Total \$'000
At 1 January 2024	-	82,781	351,679	85,661	520,121
Addition	-	-	-	10,156	10,156
Disposal/redemption for the products	-	-	-	(425)	(425)
Net surplus/(deficit) on revaluation	-	(51,917)	(97,482)	(9,278)	(158,677)
Exchange difference	-	(1,711)	(9,569)	(3,594)	(14,874)
	<u>-</u>	<u>29,153</u>	<u>244,628</u>	<u>82,520</u>	<u>356,301</u>
At 31 December 2024	-	29,153	244,628	82,520	356,301
At 1 January 2025	-	29,153	244,628	82,520	356,301
Additions	42,911	-	-	-	42,911
Disposal/redemption for the products	(43,661)	-	-	(87)	(43,748)
Net surplus/(deficit) on revaluation	-	-	11,406	9,347	20,753
Write off	-	(29,803)	-	-	(29,803)
Exchange difference	750	650	5,615	3,294	10,309
	<u>750</u>	<u>650</u>	<u>5,615</u>	<u>3,294</u>	<u>10,309</u>
Balance as at 31 December 2025	-	-	261,649	95,074	356,723
	<u>-</u>	<u>-</u>	<u>261,649</u>	<u>95,074</u>	<u>356,723</u>
Total gains or losses for the period reclassified from other comprehensive income on disposal	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total gains or losses for the period included in profit or loss for assets or liabilities held at the end of the reporting					
- Other operating income	-	-	-	-	-
- Net income from financial instruments measured at fair value	-	(29,803)	11,406	9,347	(9,050)
- Exchange difference	750	650	5,615	3,294	10,309
	<u>750</u>	<u>650</u>	<u>5,615</u>	<u>3,294</u>	<u>10,309</u>
At 31 December 2024					
Total gains or losses for the period included in profit or loss for assets held during the reporting period:					
- Other operating income	-	-	-	(686)	(686)
- Net income from financial instruments measured at fair value	-	(51,917)	(97,482)	(9,278)	(158,677)
- Exchange difference	-	(1,711)	(9,569)	(3,594)	(14,874)
	<u>-</u>	<u>(51,917)</u>	<u>(97,482)</u>	<u>(9,278)</u>	<u>(158,677)</u>
	<u>-</u>	<u>(1,711)</u>	<u>(9,569)</u>	<u>(3,594)</u>	<u>(14,874)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value of financial assets and liabilities (continued)

(i) *Financial assets and liabilities measured at fair value (continued)*

The fair values of financial instruments in Level 3 as at 31 December 2025 are determined by their respective valuation techniques as follows:

– Wealth management products from banks	Most recent market transactions or market comparable investment
– Return of beneficial interest	Discounted cashflow analysis, most recent market transactions or market comparable investment
– Unlisted equity investment	Most recent market transactions, market comparable investment, net asset approach

(ii) *Financial assets and liabilities not measured at fair value*

Financial assets and liabilities that are presented not at their fair value on the Group's consolidated statement of financial position and the Group's statement of financial position mainly represent cash and balances with banks and central bank, placements with and advances to banks, loans and advances to customers and investment securities at amortised costs. These financial assets are measured at amortised cost less impairment. Financial liabilities not presented at their fair value on the Group's consolidated statement of financial position and the Group's statement of financial position mainly represent deposits from banks, deposits from customers, financial assets sold under repurchase agreement and certificates of deposit and other debt securities issued. These financial liabilities are measured at amortised cost.

The Group assessed that the differences between fair values and carrying amounts of those financial assets and liabilities presented on the Group's and the Company's statement of financial position not at their fair values are minimal as most of the Group's and the Company's financial assets and liabilities are either short-term or priced at floating rates, except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

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5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value of financial assets and liabilities (continued)

(ii) Financial assets and liabilities not measured at fair value (continued)

	Carrying amounts at 31 December 2025 \$'000	Fair value at 31 December 2025 \$'000	Fair value measurements as at 31 December 2025 categorised into		
			Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets					
Investments securities at amortised cost, net of ECL (Note 17)	795,628	802,612	-	802,612	-
Liabilities					
Certificates of deposit and other debt securities issued at amortised cost (Note 25)	4,673,738	4,673,738	-	4,673,738	-
	Carrying amounts at 31 December 2024 \$'000	Fair value at 31 December 2024 \$'000	Fair value measurements as at 31 December 2024 categorised into		
			Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets					
Investments securities at amortised cost, net of ECL (Note 17)	709,834	708,565	-	708,565	-
Liabilities					
Certificates of deposit and other debt securities issued at amortised cost (Note 25)	4,254,071	4,254,071	-	4,254,071	-

(f) Transfers of financial assets

The Group enters into transactions in the normal course of business which transfers recognised financial assets directly to third party. All these transfers resulted in full derecognition of the financial assets concerned as the Group transferred its contractual right to receive cash flows from these financial assets, or retained the rights but assumed an obligation to pass on the cash flows from these financial assets, and transferred substantially all the risks and rewards from financial assets. The risks included credit, interest rate, currency, prepayment and other price risks.

As at 31 December 2025 and 2024, there were no outstanding transferred financial assets in which the Group had a continuing involvement that were derecognised in their entirety.

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YEAR ENDED 31 DECEMBER 2025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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6. NET INTEREST INCOME

	2025 \$'000	2024 \$'000
Interest income		
– Placements with and advances to banks	34,431	46,637
– Loans and advances to customers	869,613	1,203,981
– Investment securities	413,613	430,508
– Cash and balances with banks and central bank	41,682	40,830
	<u>1,359,339</u>	<u>1,721,956</u>
Interest expense		
– Deposits from banks	(126,523)	(211,075)
– Deposits from customers	(704,499)	(883,301)
– Certificate of deposits and other debt securities issued	(220,037)	(219,350)
– Other	(44,416)	(53,483)
	<u>(1,095,475)</u>	<u>(1,367,209)</u>
Net interest income	<u>263,864</u>	<u>354,747</u>

The interest income accrued on impaired financial assets and on unwinding of discount on loan impairment allowances amounted to HK\$6,602,000 (2024: HK\$10,574,000).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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7 NET FEE AND COMMISSION INCOME

	2025 \$'000	2024 \$'000
Fee and commission income		
– Credit facilities	7,273	9,515
– Trade services	2,058	2,513
– Corporate advisory	8,091	40,362
– Asset management	8,108	7,249
– Brokerage	11	4
– Others	528	399
	<u>26,069</u>	<u>60,042</u>
Fee and commission expense	<u>(2,133)</u>	<u>(1,798)</u>
Net fee and commission income	<u><u>23,936</u></u>	<u><u>58,244</u></u>

All the fee and commission income of HK\$26,069,000 (2024: HK\$60,042,000) and fee and commission expense of HK\$2,133,000 (2024: HK\$1,798,000) for the year ended 31 December 2025 arose from financial assets and financial liabilities that were not measured at fair value through profit or loss.

Net fee and commission income arose from trust or other fiduciary activities in which the Group held or invested on behalf of its customers for the years ended 31 December 2025 was HK\$8,108,000 (2024: HK\$7,249,000).

8 NET INCOME/(LOSS) FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE AND NET INCOME/(LOSS) FROM INVESTMENT SECURITIES

(a) Net income/(loss) from financial instruments measured at fair value

	2025 \$'000	2024 \$'000
Foreign exchange	154,186	43,892
Interest rate and others	<u>14,185</u>	<u>(123,012)</u>
	<u><u>168,371</u></u>	<u><u>(79,120)</u></u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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8 NET INCOME/(LOSS) FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE AND NET INCOME/(LOSS) FROM INVESTMENT SECURITIES (CONTINUED)

(b) Net income/(loss) from investment securities

	2025 \$'000	2024 \$'000
Investment securities at fair value through other comprehensive income	<u>8,374</u>	<u>(70,226)</u>
	<u><u>8,374</u></u>	<u><u>(70,226)</u></u>

9 OPERATING AND OTHER EXPENSES

	Note	2025 \$'000	2024 \$'000
Staff costs			
– Salaries and other benefits		99,020	104,698
– Pension and provident fund costs		<u>3,977</u>	<u>2,093</u>
		<u>102,997</u>	<u>106,791</u>
Premises and equipment expenses excluding depreciation			
– Variable lease payments not included in the measurement of lease liabilities		60	55
– Maintenance and office facility expenses		3,681	3,852
– Others		<u>1,431</u>	<u>1,575</u>
		<u>5,172</u>	<u>5,482</u>
Auditor's remuneration		1,901	1,811
Depreciation of property and equipment	20	3,317	2,420
Amortisation of right-of-use ("RoU") assets	20	15,751	24,304
Amortisation of intangible assets	21	1,058	1,132
Legal and professional fees		10,200	11,757
IT and system expenses		9,930	15,127
Data subscription fees		7,427	7,005
Litigation expense		8,837	300,943
Other operating expenses		<u>8,074</u>	<u>9,247</u>
		<u>66,495</u>	<u>373,746</u>
		<u><u>174,664</u></u>	<u><u>486,019</u></u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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10 ALLOWANCES FOR CREDIT AND OTHER LOSSES

(a) Net impairment charge to/(release) from the statement of profit or loss

	Note	2025 \$'000	2024 \$'000
Cash and balances with banks and central bank	10(b)	12	(26)
Placements with and advances to banks	10(b)	(12)	(41)
Loans and advances to customers	10(b)	62,110	252,478
Investment securities	10(b)	24,233	553,639
Other assets	10(b)	10,320	69,622
Off-balance sheet credit exposures	10(b)	(1,867)	(3,982)
		<u>94,796</u>	<u>871,690</u>

(b) Movement in impairment allowances

The table below shows the movements in Stage 3 ECL and Stage 1 & 2 ECL during the year.

	Balance at 1 January \$'000	Charge to/ (release from) statement of comprehensive income \$'000	Recoveries \$'000	Write-off \$'000	Exchange and other movements \$'000	Balance at 31 December \$'000
2025						
Stage 3 Expected Credit Losses ("ECL")						
Loans and advances to customers	345,649	69,739	4,877	(300,000)	(11,629)	108,636
Investment securities	-	68,114	712	-	-	68,826
Other assets	114,039	10,347	-	(6,169)	5,395	123,612
Total specific allowances	<u>459,688</u>	<u>148,200</u>	<u>5,589</u>	<u>(306,169)</u>	<u>(6,234)</u>	<u>301,074</u>
Stage 1&2 ECL						
Cash and balances with banks and central bank	39	12	-	-	-	51
Placements with and advances to banks	18	(12)	-	-	-	6
Loans and advances to customers	273,012	(7,629)	-	-	-	265,383
Investment securities	52,463	(43,881)	-	-	-	8,582
Other assets	60	(27)	-	-	7	40
Off-balance sheet credit exposures	18,434	(1,867)	-	-	-	16,567
Total general allowances	<u>344,026</u>	<u>(53,404)</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>290,629</u>
Total allowances for credit and other losses	<u>803,714</u>	<u>94,796</u>	<u>5,589</u>	<u>(306,169)</u>	<u>(6,227)</u>	<u>591,703</u>

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10 ALLOWANCES FOR CREDIT AND OTHER LOSSES (CONTINUED)

(b) Movement in impairment allowances (continued)

	Balance at 1 January \$'000	Charge to/ (release from) statement of comprehensive income \$'000	Recoveries \$'000	Write-off \$'000	Exchange and other movements \$'000	Balance at 31 December \$'000
2024						
Stage 3 Expected Credit Losses ("ECL")						
Loans and advances to customers	240,054	246,537	-	(127,958)	(12,984)	345,649
Investment securities	1,001,264	671,912	-	(1,673,176)	-	-
Other assets	64,169	69,644	-	(17,376)	(2,398)	114,039
Off-balance sheet credit exposures	4,772	(4,718)	-	-	(54)	-
Total specific allowances	1,310,259	983,375	-	(1,818,510)	(15,436)	459,688
Stage 1&2 ECL						
Cash and balances with banks and central bank	65	(26)	-	-	-	39
Placements with and advances to banks	59	(41)	-	-	-	18
Loans and advances to customers	267,071	5,941	-	-	-	273,012
Investment securities	170,736	(118,273)	-	-	-	52,463
Other assets	84	(22)	-	-	(2)	60
Off-balance sheet credit exposures	17,698	736	-	-	-	18,434
Total general allowances	455,713	(111,685)	-	-	(2)	344,026
Total allowances for credit and other losses	1,765,972	871,690	-	(1,818,510)	(15,438)	803,714

The following table explains the changes in ECL allowances under HKFRS 9:

	Stage 1 ECL \$'000	Stage 2 ECL \$'000	Stage 3 ECL \$'000	Total \$'000
Balance at 1 January 2025	300,992	43,034	459,688	803,714
Allowance for credit and other losses				
Transfer to/(from)				
- Stage 1	(525)	525	-	-
- Stage 2	-	(43,034)	43,034	-
- Stage 3	-	-	-	-
	(525)	(42,509)	43,034	-
New provisions charge	(38,438)	28,068	105,166	94,796
Recoveries	-	-	5,589	5,589
Net write-offs	-	-	(306,169)	(306,169)
Effect of foreign currency movements	7	-	(6,234)	(6,227)
Balance at 31 December 2025	262,036	28,593	301,074	591,703

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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10 ALLOWANCES FOR CREDIT AND OTHER LOSSES (CONTINUED)

(b) Movement in impairment allowances (continued)

	Stage 1 ECL \$'000	Stage 2 ECL \$'000	Stage 3 ECL \$'000	Total \$'000
Balance at 1 January 2024	295,109	160,604	1,310,259	1,765,972
Allowance for credit and other losses				
Transfer to/(from)				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	(5,976)	(84,305)	90,281	–
	<u>(5,976)</u>	<u>(84,305)</u>	<u>90,281</u>	<u>–</u>
New provisions charge	11,861	(33,265)	893,094	871,690
Net write-offs	–	–	(1,818,510)	(1,818,510)
Effect of foreign currency movements	(2)	–	(15,436)	(15,438)
	<u>(2)</u>	<u>–</u>	<u>(15,436)</u>	<u>(15,438)</u>
Balance at 31 December 2024	<u>300,992</u>	<u>43,034</u>	<u>459,688</u>	<u>803,714</u>

11 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2025 \$'000	2024 \$'000
Fees	1,200	1,200
Other emoluments	2,981	3,039
Contribution to provident fund	–	–
	<u>4,181</u>	<u>4,239</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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12 TAXATION

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2025 \$'000	2024 \$'000
Current tax		
Hong Kong profit tax		
– provision for the year	25,801	145
– over provision in prior year	<u>(13,800)</u>	<u>(4,290)</u>
	12,001	(4,145)
Taxation outside Hong Kong		
– withholding tax in the PRC	1	1
– provision for the year	<u>16</u>	<u>15,728</u>
	12,018	11,584
Deferred tax		
Origination and reversal of temporary differences	<u>103,190</u>	<u>3,264</u>
Total tax expense	<u><u>115,208</u></u>	<u><u>14,848</u></u>

The provision for Hong Kong Profits Tax for 2025 and 2024 of the Company are taxed at 8.25% for assessable profits, and taxed at 16.5% for the remaining assessable profits. The provision for Hong Kong Profits Tax for the subsidiaries are calculated at 16.5% in 2025 and 2024.

The provision for Hong Kong Profits Tax for 2025 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2024/25 subject to a maximum reduction of HK\$1,500 for each business (2024: a maximum reduction of HK\$3,000 was granted for the year of assessment 2023-24 and was taken into account in calculating the provision for 2024).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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12 TAXATION (CONTINUED)

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents: (continued)

The Group is part of a multinational enterprise group which is subject to Pillar Two model rules. From 1 January 2025, certain subsidiaries are subject to domestic minimum top-up tax that has been implemented in the jurisdictions where those subsidiaries operate. Based on the assessment, the effective tax rates of those subsidiaries are above 15%. Therefore, no top-up tax is recognized in the current year (2024: Nil).

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2025 \$'000	2024 \$'000
Profit before taxation	<u>195,662</u>	<u>(1,094,725)</u>
Calculated at tax rate 16.5% (2024: 16.5%)	32,449	(180,630)
Tax effect of income/expense not subject to taxation	(22,720)	17,317
Tax effect of unused current year tax loss not recognised	4,562	147,508
Utilisation of tax loss previously not recognised	47,615	(7,257)
Over-provision of tax in prior year	(13,800)	(4,290)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3,581)	14,226
Reversal of previously recognized tax loss	68,924	–
Others	<u>1,759</u>	<u>27,974</u>
Tax charged to profit or loss	<u>115,208</u>	<u>14,848</u>

13 OTHER COMPREHENSIVE INCOME/(LOSS)

(a) Tax effects relating to each component of other comprehensive income

	2025			2024		
	Before tax amount \$'000	Tax expense \$'000	Net-of-tax amount \$'000	Before tax amount \$'000	Tax expense \$'000	Net-of-tax amount \$'000
Foreign currency translation differences for Mainland China subsidiaries	4,692	–	4,692	(8,834)	(730)	(9,564)
Net movements in revaluation reserve (Note 13(b))	<u>40,051</u>	<u>(307)</u>	<u>39,744</u>	<u>491,399</u>	<u>(77,892)</u>	<u>413,507</u>
Other Comprehensive income	<u>44,743</u>	<u>(307)</u>	<u>44,436</u>	<u>482,565</u>	<u>(78,622)</u>	<u>403,943</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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13 OTHER COMPREHENSIVE INCOME/(LOSS) (CONTINUED)

(b) Components of other comprehensive income

	2025 \$'000	2024 \$'000
Financial assets at fair value through other comprehensive income:		
Changes in fair value recognised during the year	31,677	561,625
Reclassification adjustments for amounts transferred to profit or loss upon disposal (Note 8(b))	8,374	(70,226)
Net deferred tax debited to revaluation reserve	<u>(307)</u>	<u>(77,892)</u>
Net movement in revaluation reserve during the year recognised in other comprehensive income	<u>39,744</u>	<u>413,507</u>

14 CASH AND BALANCES WITH BANKS AND CENTRAL BANK

	2025 \$'000	2024 \$'000
Balances with banks	1,832,761	1,529,377
Balance with central bank	<u>80,628</u>	<u>283,596</u>
	1,913,389	1,812,973
Allowance for credit and other losses at stage 1	<u>(51)</u>	<u>(39)</u>
Net cash and balances with banks and central bank	<u>1,913,338</u>	<u>1,812,934</u>

15 PLACEMENTS WITH AND ADVANCES TO BANKS

	2025 \$'000	2024 \$'000
Gross placements with and advances to banks		
– maturing within one month	200,000	738,566
– maturing between one month and twelve months	<u>78,300</u>	<u>42,639</u>
	278,300	781,205
Allowance for credit and other losses at stage 1	<u>(6)</u>	<u>(18)</u>
Net placements with and advances to banks	<u>278,294</u>	<u>781,187</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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16 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

	2025 \$'000	2024 \$'000
Gross loans and advances to customers	17,317,236	21,085,383
Less: Allowance for credit and other losses		
– Stage 1 & 2 ECL	(265,383)	(273,012)
– Stage 3 ECL	(108,636)	(345,649)
	<u>16,943,217</u>	<u>20,466,722</u>

(b) Loans and advances to customers by credit quality

	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
As at 31 December 2025				
Neither past due nor impaired				
– Pass	16,924,627	–	–	16,924,627
– Special Mention	–	105,391	–	105,391
Past due but not impaired	–	–	–	–
Impaired	–	–	287,218	287,218
Allowance for credit and other losses	(236,790)	(28,593)	(108,636)	(374,019)
	<u>16,687,837</u>	<u>76,798</u>	<u>178,582</u>	<u>16,943,217</u>
As at 31 December 2024				
Neither past due nor impaired				
– Pass	20,497,050	–	–	20,497,050
– Special Mention	–	–	–	–
Past due but not impaired	–	–	–	–
Impaired	–	–	588,333	588,333
Allowance for credit and other losses	(273,012)	–	(345,649)	(618,661)
	<u>20,224,038</u>	<u>–</u>	<u>242,684</u>	<u>20,466,722</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Gross loans and advances to customers by industry sector

	2025		2024	
	\$'000	% of gross advances covered by collaterals	\$'000	% of gross advances covered by collaterals
Gross loans and advances to customers for use in Hong Kong				
Industrial, commercial and financial sectors				
– property development	1,383,683	–	383,382	–
– property investment	79,761	–	842,140	–
– financial concerns	4,415,110	7.1	5,104,363	13.0
– wholesale and retail trade	1,985,701	–	2,293,085	–
– manufacturing	1,446,573	–	2,233,623	16.7
– transport and transport equipment	1,674,910	–	2,248,365	–
– electricity and gas	695,965	–	946,500	–
– others	<u>1,437,229</u>	–	<u>2,574,461</u>	–
	13,118,932	2.4	16,625,919	6.2
Individuals	<u>–</u>	–	<u>10,000</u>	–
Total gross loans and advances for use in Hong Kong	13,118,932	2.4	16,635,919	6.2
Trade finance	288,426	–	492,217	–
Gross loans and advances for use outside Hong Kong	<u>3,909,878</u>	4.1	<u>3,957,247</u>	2.0
Gross loans and advances to customers	<u>17,317,236</u>	2.7	<u>21,085,383</u>	5.3

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Segmental analysis of loans and advances to customers by geographical area

Loans and advances to customers by geographical area are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when a loan is guaranteed by a party located in an area that is different from that of the counterparty.

	Gross loans and advances to customers \$'000	Impaired loans and advances (Stage 3) \$'000	Overdue loans and advances \$'000	Stage 3 ECL \$'000	Stage 1 & 2 ECL \$'000
At 31 December 2025					
– Hong Kong	10,494,806	287,218	287,218	108,636	165,658
– Mainland China	5,028,999	–	–	–	68,892
– Others	1,793,431	–	–	–	30,833
	<u>17,317,236</u>	<u>287,218</u>	<u>287,218</u>	<u>108,636</u>	<u>265,383</u>
At 31 December 2024					
– Hong Kong	14,124,716	337,760	37,760	202,822	199,170
– Mainland China	5,723,053	250,573	250,573	142,827	55,051
– Others	1,237,614	–	–	–	18,791
	<u>21,085,383</u>	<u>588,333</u>	<u>288,333</u>	<u>345,649</u>	<u>273,012</u>

(e) Gross loans and advances to customers by credit quality

	2025 \$'000	2024 \$'000
Pass	16,924,627	20,497,050
Special mention	105,391	–
Substandard	–	300,000
Doubtful	287,218	288,333
Loss	–	–
	<u>17,317,236</u>	<u>21,085,383</u>

The above table shows the grading according to the loan classification system as defined by the HKMA.

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17 INVESTMENT SECURITIES

	2025 \$'000	2024 \$'000
Investment securities measured at amortised cost		
– at stage 1	795,894	710,043
– at stage 2	–	–
– at stage 3	–	–
Of which: past due and impaired	–	–
Allowance for credit and other losses		
– at stage 1	(266)	(209)
– at stage 2	–	–
– at stage 3	–	–
Of which: past due and impaired	–	–
	<u>795,628</u>	<u>709,834</u>
Investment securities at fair value through other comprehensive income		
– at stage 1	8,298,992	7,875,404
– at stage 2	–	18,913
– at stage 3	10,140	–
Of which: past due and impaired	10,140	–
	<u>8,309,132</u>	<u>7,894,317</u>
	<u>9,104,760</u>	<u>8,604,151</u>
Analysed by type of securities:		
Government bills, notes and bonds	948,468	1,176,982
Certificate of deposit	539,791	506,682
Debt securities	7,616,501	6,920,487
	<u>9,104,760</u>	<u>8,604,151</u>
Analysed by issuers:		
– Sovereigns	948,468	1,176,982
– Public sector entities	640,538	429,702
– Banks	7,042,799	6,237,433
– Corporates	472,955	760,034
	<u>9,104,760</u>	<u>8,604,151</u>
Analysed by listing status:		
– Listed in Hong Kong	1,128,034	1,076,719
– Listed outside Hong Kong	3,261,253	2,191,876
– Unlisted	4,715,473	5,335,556
	<u>9,104,760</u>	<u>8,604,151</u>

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18 INVESTMENT IN AN ASSOCIATE

Information of an associate that is not individually material:

	2025 \$'000	2024 \$'000
Carrying amount of an individually immaterial associate	<u>5,772</u>	<u>4,963</u>

19 INVESTMENT IN SUBSIDIARIES

	2025 \$'000	2024 \$'000
Unlisted shares, at cost:		
At 1 January	2,122,000	1,000,000
Additions during the year	–	1,122,000
Impairment during the year	<u>(2,084,000)</u>	<u>–</u>
At 31 December	<u>38,000</u>	<u>2,122,000</u>

Particulars of the major operating subsidiaries at 31 December 2025 are as follows:

Name of Companies	Place of incorporation and place of business	Particulars of issued shares held	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
BOSC International Company Limited (BOSCI)*	Hong Kong	212,200,000 shares of HK\$10 each	100%	100%	–	Investment banking
BOSC International Securities Limited*	Hong Kong	100,000,000 shares of HK\$1 each	100%	–	100%	Securities brokerage
BOSC International Asset Management Limited*	Hong Kong	10,000,000 shares of HK\$1 each	100%	–	100%	Asset Management
BOSC International Investment Limited*	Hong Kong	1,000,000 shares of HK\$1 each	100%	–	100%	Investment trading
BOSC International (Shenzhen) Company Limited*	People's Republic of China	200,980,000 shares of HK\$1 each	100%	–	100%	Corporate advisory
BOSC International Advisory (Shenzhen) Company Limited*	People's Republic of China	10,000,000 shares of HK\$1 each	100%	–	100%	Corporate advisory

* The proportion of voting rights in these subsidiaries did not differ from the shares held. There was no non-controlling interest in these subsidiaries.

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20 PROPERTY AND EQUIPMENT

Details of movement of property and equipment are as follows:

	Leasehold improvements \$'000	Furniture, computer and other equipment \$'000	Motor vehicles \$'000	RoU assets – properties and office equipment \$'000	Total \$'000
Cost:					
At 1 January 2024	22,475	27,621	2,883	86,060	139,039
Additions	–	7,404	–	44,060	51,464
Write-off	–	(7,085)	–	–	(7,085)
Exchange adjustments	–	(79)	(37)	(562)	(678)
At 31 December 2024	<u>22,475</u>	<u>27,861</u>	<u>2,846</u>	<u>129,558</u>	<u>182,740</u>
At 1 January 2025	22,475	27,861	2,846	129,558	182,740
Additions	–	3,504	–	2,760	6,264
Write-off	–	–	–	(777)	(777)
Exchange adjustments	–	111	51	–	162
At 31 December 2025	<u>22,475</u>	<u>31,476</u>	<u>2,897</u>	<u>131,541</u>	<u>188,389</u>
Accumulated depreciation:					
At 1 January 2024	(22,449)	(25,188)	(2,843)	(63,759)	(114,239)
Charge for the year	(26)	(2,394)	–	(24,304)	(26,724)
Write-off	–	7,085	–	–	7,085
Exchange adjustments	–	77	32	521	630
At 31 December 2024	<u>(22,475)</u>	<u>(20,420)</u>	<u>(2,811)</u>	<u>(87,542)</u>	<u>(133,248)</u>
At 1 January 2025	(22,475)	(20,420)	(2,811)	(87,542)	(133,248)
Charge for the year	–	(3,317)	–	(15,751)	(19,068)
Write-off	–	–	–	441	441
Exchange adjustments	–	(107)	(50)	(21)	(178)
At 31 December 2025	<u>(22,475)</u>	<u>(23,844)</u>	<u>(2,861)</u>	<u>(102,873)</u>	<u>(152,053)</u>
Net book value:					
At 31 December 2025	<u>–</u>	<u>7,632</u>	<u>36</u>	<u>28,668</u>	<u>36,336</u>
At 31 December 2024	<u>–</u>	<u>7,441</u>	<u>35</u>	<u>42,016</u>	<u>49,492</u>

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21 INTANGIBLE ASSETS

	2025 \$'000	2024 \$'000
Software	1,467	1,640
Club membership	<u>350</u>	<u>350</u>
	<u><u>1,817</u></u>	<u><u>1,990</u></u>

Details of movement of intangible assets are as follows:

	2025 \$'000	2024 \$'000
Cost:		
At 1 January	27,905	27,041
Additions	<u>885</u>	<u>864</u>
At 31 December	<u>28,790</u>	<u>27,905</u>
Accumulated amortisation:		
At 1 January	(25,915)	(24,783)
Charge for the year	<u>(1,058)</u>	<u>(1,132)</u>
At 31 December	<u>(26,973)</u>	<u>(25,915)</u>
Net book value:		
At 31 December	<u><u>1,817</u></u>	<u><u>1,990</u></u>

During 2025 and 2024, there was no impairment on intangible assets.

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22 OTHER ASSETS

	2025 \$'000	2024 \$'000
Interest receivables (note a)	180,829	205,562
Collaterals placed (note b)	49,200	14,576
Fees receivable	138	52
Prepaid expenses	12,965	8,452
Accounts receivable (note c)	31,406	35,210
Trade date receivable	100,203	–
Others	6,868	7,714
	<u>381,609</u>	<u>271,566</u>

Note a: Included Stage 3 ECL of interest receivable of HK\$67,000 associated with loans and advances to customers at stage 3 as at 31 December 2025 (2024: HK\$1,392,000).

Note b: Mainly relates to cash collaterals placed in respect of derivative financial liabilities.

Note c: Included Stage 3 ECL of accounts receivable of HK\$123,307,000 as at 31 December 2025 (2024: HK\$112,420,000).

23 DEPOSITS FROM CUSTOMERS

	2025 \$'000	2024 \$'000
Deposits from customers		
– Time, call and notice deposits	<u>16,856,907</u>	<u>16,460,196</u>

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current Tax in the consolidated statement of financial position represents:

	2025 \$'000	2024 \$'000
Provision for HK profit tax	25,801	145
Provisional profit tax paid	<u>(925)</u>	<u>(7,627)</u>
Balance of profit tax provision relating to prior year	24,736	46,021
Provision of tax in PRC	<u>1,213</u>	<u>11,748</u>
	<u>50,826</u>	<u>50,287</u>
Representing:		
Current tax payable	50,845	50,287
Current tax recoverable	<u>(19)</u>	<u>–</u>
	<u>50,826</u>	<u>50,287</u>

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24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

	Depreciation allowances in excess of the related depreciation \$'000	Amortisation of intangible assets \$'000	Impairment allowance \$'000	Others \$'000	Revaluation of investment securities \$'000	Unused tax losses \$'000	Total \$'000
At 1 January 2024	1,767	(314)	74,857	13,363	126,245	40,403	256,321
Credited/(debited) to consolidated statement of profit or loss and other comprehensive income (Note 12(a))	(1,793)	43	(26,735)	16,253	39,632	(30,664)	(3,264)
Credited to revaluation fair value reserve	-	-	-	(731)	(80,158)	-	(80,889)
At 31 December 2024	<u>(26)</u>	<u>(271)</u>	<u>48,122</u>	<u>28,885</u>	<u>85,719</u>	<u>9,739</u>	<u>172,168</u>
At 1 January 2025	(26)	(271)	48,122	28,885	85,719	9,739	172,168
Credited to consolidated statement of profit or loss and other comprehensive income (Note 12(a))	609	28	(1570)	(28,325)	(74,121)	(9,739)	(113,118)
Credited to revaluation fair value reserve	-	-	-	656	(962)	-	(306)
At 31 December 2025	<u>583</u>	<u>(243)</u>	<u>46,552</u>	<u>1,216</u>	<u>10,636</u>	<u>-</u>	<u>58,744</u>

Representing:

	2025 \$'000	2024 \$'000
Net deferred tax assets	58,833	172,168
Net deferred tax liabilities	<u>(89)</u>	<u>-</u>

The Group has unrecognized tax losses amounting to HK\$2,384 million (2024: HK\$2,668 million).
The tax losses not expire under tax legislation can be carried forward indefinitely.

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25 CERTIFICATES OF DEPOSIT AND OTHER DEBT SECURITIES ISSUED

	2025 \$'000	2024 \$'000
Certificates of deposit issued at amortised cost	2,671,650	1,504,071
Other debt securities issued at amortised cost (Note 33(d))	<u>2,002,088</u>	<u>2,750,000</u>
	<u><u>4,673,738</u></u>	<u><u>4,254,071</u></u>

The Group, through one of its subsidiaries, issued bonds with notional amounts of HK\$850,000,000 on 15 October 2025. The bonds are fully subscribed and bear a coupon rate of 3.57 percent per annum. The bonds would be matured in 2026.

The Group, through one of its subsidiaries, issued bonds with notional amounts of US\$60,000,000 on 16 October 2025. The bonds are fully subscribed and bear a coupon rate of 4.12 percent per annum. The bonds would be matured in 2026.

The Group, through one of its subsidiaries, issued bonds with notional amounts of HK\$685,000,000 on 17 October 2025. The bonds are fully subscribed and bear a coupon rate of 3.57 percent per annum. The bonds would be matured in 2026.

26 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	At 31 December 2025		At 31 December 2024	
	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000
Within 1 year	16,809	17,799	14,394	15,885
After 1 year but within 2 years	15,579	15,889	14,941	15,841
After 2 years but within 5 years	<u>442</u>	<u>465</u>	<u>15,402</u>	<u>15,689</u>
	<u><u>16,021</u></u>	<u><u>16,354</u></u>	<u><u>30,343</u></u>	<u><u>31,530</u></u>
	<u><u>32,830</u></u>	<u><u>34,153</u></u>	<u><u>44,737</u></u>	<u><u>47,415</u></u>
Less: total future interest expenses		<u>(1,323)</u>		<u>(2,678)</u>
Present value of lease liabilities		<u><u>32,830</u></u>		<u><u>44,737</u></u>

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26 LEASE LIABILITIES (CONTINUED)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 \$'000	2024 \$'000
Depreciation of right-of-use assets by class of underlying asset:		
Lease of office premises and equipment (Note 20)	<u>15,751</u>	<u>24,304</u>
Interest on lease liabilities	1,567	520
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>179</u>	<u>174</u>

27 OTHER LIABILITIES

	31 December 2025 HK\$'000	31 December 2024 HK\$'000
Interest payables	218,986	221,460
Accounts payable	3,674	2,629
Accrued expenses	10,020	8,812
Provision for short term employee benefits	4,093	8,777
Collateral received	–	71,287
Trade date payables	–	37,907
Others (Note a)	<u>238,283</u>	<u>230,779</u>
	<u>475,056</u>	<u>581,651</u>

Note a: Included allowance for credit and other losses of HK\$16,567,000 (2024: HK\$18,434,000).

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28 CAPITAL AND RESERVES

(a) Share capital

	No. of shares '000	HK\$'000
Ordinary shares, issued and fully paid:		
At 31 December 2025 and 31 December 2024	<u>590,986</u>	<u>6,305,476</u>
	<u>590,986</u>	<u>6,305,476</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

(b) Movement in components of equity at Company level

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital \$'000	Retained profits \$'000	Revaluation reserve \$'000	Total \$'000
Balance at 1 January 2024	6,305,476	621,170	(4,832)	6,921,814
Total comprehensive income	<u>–</u>	<u>74,837</u>	<u>117</u>	<u>74,954</u>
Balance at 31 December 2024	<u>6,305,476</u>	<u>696,007</u>	<u>(4,715)</u>	<u>6,996,768</u>
Balance at 1 January 2025	6,305,476	696,007	(4,715)	6,996,768
Total comprehensive income	<u>–</u>	<u>(1,876,911)</u>	<u>15,898</u>	<u>(1,861,013)</u>
Balance at 31 December 2025	<u>6,305,476</u>	<u>(1,180,904)</u>	<u>11,183</u>	<u>5,135,755</u>

(c) Dividends

No dividend has been declared or paid by the Company during the years ended 31 December 2025 and 2024.

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28 CAPITAL AND RESERVES (CONTINUED)

(d) Nature and purpose of reserves

(i) Revaluation reserve

This comprises the cumulative net change in the fair value and the allowance for ECLs for investment securities at fair value through other comprehensive income until the financial assets are derecognised and is dealt with in accordance with the accounting policies in Note 1 (f).

(ii) Retained profits

The Group is required to maintain minimum capital adequacy ratio set by the HKMA. The minimum capital requirements could therefore potentially restrict the amount of retained profits available for distribution to the shareholders.

(iii) Regulatory reserve

The regulatory reserve is maintained in accordance with Hong Kong Banking regulations. At 31 December 2025, no regulatory reserve (2024: Nil) was required to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movement in this reserve was made directly through retained profits after consultation with the HKMA. The regulatory reserve is non-distributable.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1 (r).

(v) Capital contribution

The capital contribution comprises the surplus over the fair value given by the ultimate holding company of the Group upon transactions with the Group.

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29 MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group entered into transactions with related parties in the normal course of business including accepting and placement of inter-bank deposits, conducting correspondent banking and foreign exchange transactions. All these related party transactions were priced at the relevant market rates at the time of each transaction.

(a) The amount of material related party transactions during the year and outstanding balances at the reporting date are set out below:

	Immediate holding company	
	2025	2024
	\$'000	\$'000
Consolidated statement of profit or loss and other comprehensive income:		
Interest income	21	33
Interest expense	(156,799)	(271,014)
Net fee and commission income	5,174	4,802
Other operating expense	(872)	(2,803)
Consolidated statement of financial position:		
Amounts due from:		
– Cash and balances with banks and central bank	18,424	17,924
– Other assets	1,623	1,550
– Property and equipment	893	–
Amounts due to:		
– Deposits from banks	1,012,023	2,988,132
– Certificates of deposit and other debt securities issued	2,002,088	2,750,000
– Other liabilities	70,285	111,470
– Lease liabilities	1,846	–
– Other borrowings	219,702	190,491

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29 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Directors and key management personnel

During the year, the Group did not provide any credit facilities nor accept any deposits from the directors and key management personnel of the Group and its holding companies as well as their close family members and companies controlled or significantly influenced by them.

Remunerations, for key management personnel, including amounts paid to the Group's directors as disclosed in Note 11, are as follows:

	2025	2024
	\$'000	\$'000
Salaries and other benefits	14,959	17,414
Contribution to provident fund	803	933
Variable bonuses	1,094	1,163
Of which: deferred	<u>159</u>	<u>283</u>

30 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives entered into by the Group include foreign exchange forward and swap contracts. The Group used these derivatives in its own assets and liabilities management and also sold these products to customers as normal banking activities. For these transactions entered into with customers, they were actively managed through offsetting deals with external parties to ensure the Group's net exposures were within acceptable level of risk. No significant proprietary positions were maintained by the Group at 31 December 2025 and 2024.

Credit risk-weighted amount refers to the amount as computed in accordance with the Banking (Capital) Rules and depends on the status of the counterparty and the residual maturity of the transaction. The risk-weight factor for derivatives outstanding at 31 December 2025 ranged from 20% to 50% (2024: 20% to 50%).

Derivative financial instruments are presented in net when there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle them on a net basis or realise the asset and settle the liability simultaneously. As at 31 December 2025, no derivative financial instruments have fulfilled the above criteria, therefore no derivative financial instruments were offset on the consolidated statement of financial position (2024: Nil).

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30 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives – held for trading

	2025			2024		
	Notional amount \$'000	Derivative financial assets \$'000	Derivative financial liabilities \$'000	Notional amount \$'000	Derivative financial assets \$'000	Derivative financial liabilities \$'000
Exchange rate contracts						
– Spot and forward	14,965,928	23,864	(83,236)	8,915,877	108,499	(29,451)
Interest rate contracts						
– Swap	<u>739,556</u>	<u>87</u>	<u>–</u>	<u>116,481</u>	<u>6,078</u>	<u>–</u>
	<u>15,705,484</u>	<u>23,951</u>	<u>(83,236)</u>	<u>9,032,358</u>	<u>114,577</u>	<u>(29,451)</u>

31 CONTINGENT LIABILITIES AND COMMITMENTS

	2025 \$'000	2024 \$'000
Contract amounts		
– Direct credit substitutes	–	–
– Trade-related contingencies	–	–
– Transaction-related contingencies	–	–
– Other commitments		
– which are unconditionally cancellable	6,250,222	6,415,657
– with an original maturity under one year	200,258	474,612
– with an original maturity over one year	<u>756,871</u>	<u>1,103,202</u>
	<u>7,207,351</u>	<u>7,993,471</u>
Credit risk-weighted amounts	<u>954,996</u>	<u>646,523</u>

Contingent liabilities and commitments are credit related instruments. The risk involved in these credit related instruments is essentially the same as the credit risk involved in extending loan facilities to customers. The contractual amounts represent the amounts at risk should the contract be fully drawn and the customer would be in default. As the facilities may expire without being drawn, the contract amounts do not represent expected future cash flows.

The risk-weight factor for the computation of credit risk-weighted amounts range from 0% to 100%.

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32 LOANS TO DIRECTORS AND ENTITIES CONNECTED WITH DIRECTORS

Loans to directors of the Company and entities connected with directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2025 \$'000	2024 \$'000
Aggregate amount in respect of principal and interest as at 31 December	<u> -</u>	<u> -</u>
The maximum aggregate amount outstanding in respect of principal and interest during the year	<u> -</u>	<u> -</u>

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33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before taxation to net cash inflow/(outflow) from operating activities

	Note	2025 \$'000	2024 \$'000
Profit/ (Loss) before taxation		195,662	(1,094,725)
Adjustments for:			
Interest income	6	(1,359,339)	(1,721,956)
Interest expense	6	1,095,475	1,367,209
Depreciation of property and equipment	9	3,317	2,420
Amortisation of right-of-use assets	9	15,751	24,304
Amortisation of intangible assets	9	1,058	1,132
Impairment charges	10	94,796	871,690
Net loss from investment securities	8(b)	(8,374)	70,226
Interest received		934,613	1,286,284
Interest paid		(971,574)	(1,326,205)
Loss on early termination of a lease contract		336	–
Elimination of exchange differences and other non cash items		116,601	125,838
Operating profit before changes in working capital		118,322	(393,784)
Change in financial assets at fair value through profit or loss		(5,989)	194,188
Change in financial assets sold under repurchase agreement		(1,272,181)	795,761
Change in placements with and advances to banks with original maturity more than three months		(78,300)	2
Change in gross loans and advances to customers		3,485,195	500,655
Change in other assets		(38,897)	(2,399,258)
Change in deposits from customers		396,711	193,943
Change in deposits from banks		(3,138,215)	487,184
Change in certificates of deposit issued		1,031,003	(750,858)
Change in other liabilities		(58,221)	133,107
Cash generated from/(used in) in operating activities		439,428	(1,239,060)
Hong Kong Profits Tax (paid)/refund		(4,572)	24,695
Tax paid outside Hong Kong		3,020	(14,958)
Net cash inflow/(outflow) from operating activities		<u>437,876</u>	<u>(1,229,323)</u>

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33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Cash and cash equivalents in the consolidated statement of cash flows:

	2025 \$'000	2024 \$'000
Gross cash and balances with banks and central bank (Note 14)	1,913,389	1,812,973
Gross placements with and advances to banks with original maturity within three months	200,000	781,205
Investment securities with original maturity within three months	<u>925,335</u>	<u>297,591</u>
	<u><u>3,038,724</u></u>	<u><u>2,891,769</u></u>

(c) Reconciliation with the consolidated statement of financial position:

	2025 \$'000	2024 \$'000
Gross cash and balances with banks and central bank (Note 14)	1,913,389	1,812,973
Gross placements with and advances to banks	200,000	781,205
Investment securities (Note 17)	<u>9,104,760</u>	<u>8,604,360</u>
Amounts shown in the consolidated statement of financial position	11,218,149	11,198,538
Less: Balances, gross placements with and advances to banks and investment securities with original maturity beyond three months	<u>(8,179,425)</u>	<u>(8,306,769)</u>
	<u><u>3,038,724</u></u>	<u><u>2,891,769</u></u>

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33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash change. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Other debt securities issued at amortised cost (Note 25) \$'000	Other borrowings \$'000	Lease Liabilities (Note 26) \$'000	Total \$'000
At 1 January 2024	2,733,363	207,612	22,252	2,963,227
Changes from financing cash flow:				
Redemption from the other debt securities	(5,488,774)	–	–	(5,488,774)
Proceeds from the issuance of other debt securities	5,500,000	–	–	5,500,000
Net proceeds from short-term borrowings	–	13,726	–	13,726
Capital element of lease rentals paid	–	–	(21,610)	(21,610)
Interest element of lease rentals paid	–	–	(582)	(582)
Interest paid	(127,096)	(22,586)	–	(149,682)
Total changes from financing cash flow	(115,870)	(8,860)	(22,192)	(146,922)
New lease	–	–	44,059	44,059
Interest expense	127,096	22,583	582	150,261
Exchange difference	5,411	–	36	5,447
Total other changes	132,507	22,583	44,677	199,767
At 31 December 2024	2,750,000	221,335	44,737	3,016,072

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities: (continued)

	Other debt securities issued at amortised cost (Note 25) \$'000	Other borrowings \$'000	Lease Liabilities (Note 26) \$'000	Total \$'000
At 1 January 2025	2,750,000	221,335	44,737	3,016,072
Changes from financing cash flow:				
Redemption from the other debt securities	(9,800,000)	–	–	(9,800,000)
Proceeds from the issuance of other debt securities	9,050,749	–	–	9,050,749
Net proceeds from short-term borrowings	–	(1,630)	–	(1,630)
Capital element of lease rentals paid	–	–	(14,357)	(14,357)
Interest element of lease rentals paid	–	–	(1,567)	(1,567)
Interest paid	<u>(80,413)</u>	<u>(952)</u>	<u>–</u>	<u>(81,365)</u>
Total changes from financing cash flow	<u>(829,664)</u>	<u>(2,582)</u>	<u>(15,924)</u>	<u>(848,170)</u>
New lease	–	–	2,760	2,760
Early termination	–	–	(310)	(310)
Interest expense	80,413	949	1,567	82,929
Exchange difference	<u>1,339</u>	<u>–</u>	<u>–</u>	<u>1,339</u>
Total other changes	<u>81,752</u>	<u>949</u>	<u>4,017</u>	<u>86,718</u>
At 31 December 2025	<u>2,002,088</u>	<u>219,702</u>	<u>32,830</u>	<u>2,254,620</u>

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(EXPRESSED IN HONG KONG DOLLARS)

34 IMMEDIATE AND ULTIMATE HOLDING COMPANY

As at 31 December 2025, the Company's immediate and ultimate holding company is Bank of Shanghai Co., Limited, which is incorporated in the People's Republic of China. Bank of Shanghai Co., Limited produces financial statements available for public access.

35 EVENTS AFTER REPORTING PERIOD

The Group, through one of its subsidiaries, issued bonds with notional amounts of HK\$850,000,000 on 15 Jan 2026. The bonds are fully subscribed by its ultimate holding company and bear a coupon rate of 2.95 percent per annum. The bonds matured and fully paid on 15 April 2026.

The Group, through one of its subsidiaries, issued bonds with notional amounts of US\$90,000,000 on 16 Jan 2026. The bonds are fully subscribed by its ultimate holding company and bear a coupon rate of 3.82 percent per annum. The bonds matured and fully paid on 16 April 2026.

The Group, through one of its subsidiaries, issued bonds with notional amounts of HK\$685,000,000 on 20 Jan 2026. The bonds are fully subscribed by its ultimate holding company and bear a coupon rate of 2.95 percent per annum. The bonds matured and fully paid on 20 April 2026.

The Group, through one of its subsidiaries, issued bonds with notional amounts of HK\$865,000,000 on 15 April 2026. The bonds are fully subscribed by its ultimate holding company and bear a coupon rate of 2.45 percent per annum. The bonds will mature on 15 July 2026.

The Group, through one of its subsidiaries, issued bonds with notional amounts of US\$120,000,000 on 16 April 2026. The bonds are fully subscribed by its ultimate holding company and bear a coupon rate of 3.95 percent per annum. The bonds will mature on 16 July 2026.

The Group, through one of its subsidiaries, issued bonds with notional amounts of HK\$445,000,000 on 20 April 2026. The bonds are fully subscribed by its ultimate holding company and bear a coupon rate of 2.45 percent per annum. The bonds will mature on 20 July 2026.

36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 23 April 2026.

CORPORATE GOVERNANCE REPORT (UNAUDITED)

The following information is disclosed as part of the accompanying information to the financial statements and does not form part of the audited financial statements

1 CORPORATE GOVERNANCE

The Bank fully complied with, in all material aspects, throughout the year with the module on “Corporate Governance of Locally Incorporated Authorized Institutions” issued by the HKMA.

(a) Corporate Governance Policy

The Bank recognizes the importance of robust corporate governance and high standards of corporate governance and maintains an effective corporate governance framework to ensure effective oversight and strong accountability of the Board and senior management. The established well-structured corporate governance framework directs and provides the business ethical conduct of the Bank, thereby protects and upholds the interests of shareholders, customers and other relevant stakeholders as a whole in a sustainable manner.

(b) Governance Framework

The Board is at the core of the Bank’s corporate governance framework and responsible for the leadership and control of the Bank to promote its success and continuing growth. The Board is responsible for providing high-level guidance and effective oversight of the management.

The Board is mainly responsible for reviewing and approving the Bank’s strategic and business plans and guiding policies whilst day-to-day management of the Bank’s affairs and implementation of its strategy and policy initiatives are delegated to the Chief Executive Officer and the senior management who operate in accordance with the Board’s approved policies and delegated limits of authority. The Board also establishes a number of Board Level Committees (i.e. Audit Committee, Remuneration and Nomination Committee and Risk and Compliance Committee). The Board authorizes the senior management to establish and approve terms of reference for the following Management Level Committees (i.e. Management Committee, Credit Committee, Asset and Liability Committee, Operations and Technology Committee, Anti-Money Laundering Committee, Environmental, Social and Governance Committee, New Product Committee and Accountability Management Committee) to help the Chief Executive Officer and the senior management oversee the daily operations of the Bank.

All these committees have specific terms of reference in order to ensure that the committees will discharge their responsibilities properly and to report regularly to the Board when appropriate, their recommendations and decisions.

(c) The Board

The Board shall provide high-level guidance and direction for the on-going development of the Bank. The most significant responsibilities are to:

- i. review, approve and monitor the objectives, strategies and business plan;

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

1 CORPORATE GOVERNANCE (CONTINUED)

(c) The Board (continued)

- ii. review and monitor the performance against the annual business plan with corrective action to be taken as needed; and
- iii. decide the capital structure and dividend policy.

The Board shall ensure that a sound and effective risk management framework and internal control system are in place. The most significant responsibilities are to:

- i. promote risk awareness and a strong culture of upholding the three lines of defence, with independent risk management and internal audit functions;
- ii. review and approve the Bank's risk appetite statement, lay down risk management strategies and approve risk management framework to ensure that it is adequate and consistent;
- iii. review and approve capital management strategy, capital adequacy, liquidity risk strategy, market risk strategy, climate-or ESG-related strategy as well as balance sheet management;
- iv. review and approve the Bank's Compliance Policy and key risk policies and procedures in relation to Bank's recovery plan, connected lending, large exposure and industry concentration policies and the predetermined limits and threshold, liquidity policy statement, contingency funding plan, stress testing program and any subsequent changes of stress testing assumptions, and strategic plan formulating and approving process and procedure;
- v. approve the establishment of Business Continuity Planning ("BCP") policy and processes, and approve any subsequent changes of BCP policy and processes, and approve the annual statement of BCP;
- vi. ensure the internal control systems are effective and the Bank's operations are properly controlled and comply with policies approved by the Board as well as any applicable laws and regulations; and
- vii. approve the appointment, resignation and removal of external auditors upon the recommendation of Audit Committee.

The Board shall ensure and monitor that the Bank conducts its business and affairs with high degree of integrity and ethical values through the implementation of appropriate policies, guidelines and standards. The Board should set and adhere to professional standards and corporate values that promote ethical and responsible professional behavior amongst the Bank's staff (including senior management and members of the Board).

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

1 CORPORATE GOVERNANCE (CONTINUED)

(c) The Board (continued)

The Board shall ensure the competency of the Chief Executive Officer and senior management in running the operation of the Bank in a sound and efficient manner. The Board needs to:

- i. approve the appointment and termination of the Chief Executive Officer and Deputy/Assistant/Alternate Chief Executive Officer(s);
- ii. approve the Bank's Remuneration Policy and remuneration packages of the Chief Executive Officer and Deputy/Assistant/Alternate Chief Executive Officer(s);
- iii. approve the appointment of senior management, key personnel, Head of Legal & Compliance Division and all other department heads according to the Bank's Remuneration Policy;
- iv. approve the management succession plan of the Bank.

With the assistance of the Remuneration and Nomination Committee, the Board shall ensure the Remuneration Policy is consistent with the Bank's ethical values, objectives, strategies and control environment.

The Board shall ensure the effectiveness of the Audit Committee in fulfilling its responsibilities. The Board needs to obtain regular reporting by the Audit Committee with regard to the works performed by the Audit Committee, including any significant findings identified in the Bank's internal control systems and progress made by the senior management in implementing any remedial actions to address the deficiencies.

The Board shall consider and make decision on matters of significant importance or activities outside the ordinary course of business of the Bank, including but not limited to the following: –

- i. significant corporate acquisition or purchases;
- ii. creation of new venture; and
- iii. disposal of assets, capital expenditure or other expenses for an amount exceeding 0.5% of the Bank's shareholder's funds.

The Board shall appoint directors based on the nomination by the Remuneration and Nomination Committee. In order to ensure a transparent procedure for the appointment of new directors, before a prospective director's name is formally proposed, the opinions of the existing directors will be sought.

The Board shall also approve the Bank's Board-level Conflicts of Interest Policy and Whistle Blowing Policy.

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

1 CORPORATE GOVERNANCE (CONTINUED)

(d) Profiles of Directors

Name	Role in BOSHK	Qualifications	Other Directorships and executive positions held
Ms. Li Xiaohong	Non-Executive Director (appointed as Director of BOSHK on 11 January 2019)	Doctor of Laws, Jilin University	Board Secretary, Bank of Shanghai Co., Limited
	Chairman (nominated as Chairman on 22 February 2024)	EMBA of China Europe International Business School	Non-Executive Director, BOSC International Company Limited
Mr. Ye Zhengxiang	Non-Executive Director (appointed as Director of BOSHK on 9 January 2024)	MBA, Shanghai University of Finance and Economics	Non-Executive Director, BOSC International Company Limited
Mr. Chen Xuanqiang	Executive Director & CEO (appointed to act as director on 10 December 2021)	Bachelor Degree in Economics, Shenzhen University	Non-Executive Director, BOSC International Company Limited

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

1 CORPORATE GOVERNANCE (CONTINUED)

(d) Profiles of Directors (continued)

Name	Role in BOSHK	Qualifications	Other Directorships and executive positions held
Prof. Tsien James Steed	Independent Non-Executive Director (appointed as Director of BOSHK on 11 April 2023)	<p>Honorary Professor, Hong Kong Baptist University</p> <p>Adjunct Professor, Hang Seng University of Hong Kong</p> <p>Chartered Manager & Companion, The Chartered Management Institute, UK</p> <p>Honorary Fellow, Hong Kong Baptist University</p> <p>Honorary Member, University Court, Hong Kong Baptist University</p> <p>Member, The Hong Kong Institute of Bankers</p> <p>Executive Program for International Managers, The Graduate School of Business, Columbia University, New York, U.S.A.</p> <p>Member, The Chartered Institute of Bankers, UK</p> <p>Diploma in Business Management (with distinction), Hong Kong Baptist College</p>	Vice Chairman, University Council, Hang Seng University of Hong Kong

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

1 CORPORATE GOVERNANCE (CONTINUED)

(d) Profiles of Directors (continued)

Name	Role in BOSHK	Qualifications	Other Directorships and executive positions held
Richard Sun, JP	Independent Non-Executive Director	Honorary Fellow, Hong Kong Polytechnic University	Justice of Peace, HKSAR
		Fellow, ACCA	Governing Committee member, Hong Kong Polytechnic University Foundation
		Member, HKICPA	Member of Endowed Professorship Scheme Advisory Committee, Hong Kong Polytechnic University
			Senior Advisor, Chartwell Capital Ltd
			Independent Non-Executive Director, Jolimark Holdings Ltd
			Independent Non-Executive Director, Sinofert Holdings Ltd
			Independent Non-Executive Director, Nameson Holdings Ltd (Appointed in September 2025)
	Independent Non-Executive Director, Nine Dragons Paper (Holdings) Ltd (Appointed in October 2025)		

BANK OF SHANGHAI (HONG KONG) LIMITED
YEAR ENDED 31 DECEMBER 2025

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

1 CORPORATE GOVERNANCE (CONTINUED)

(d) Profiles of Directors (continued)

Name	Role in BOSHK	Qualifications	Other Directorships and executive positions held
Mr. Fong Wo, Felix	Independent Non-Executive Director	Bachelor of Engineering, Dean's honour (McMaster University, Canada)	Independent Non-Executive Director, Greenland Hong Kong Holdings Limited
		Juris Doctor (Osgoode Hall Law School, Canada)	Independent Non-Executive Director, Guangdong Land Holdings Limited
		Member of the law societies of Hong Kong, Ontario and England	Independent Non-Executive Director, Howkingtech International Holding Limited (Retired in April 2025)
		China-Appointed Attesting Officer in Hong Kong appointed by the Ministry of Justice of China	Independent Non-Executive Director, Vesync Co Ltd (Retired in May 2025)
		Solicitor, The High Court of Hong Kong	Independent Non-Executive Director, Television Broadcasts Limited
		Solicitor, The Law Society of United Kingdom	Director, Smartcheer Limited
			Director, Smartcheer One Limited
			Director, Smartcheer Three Limited
	Director, Lafontaine Holdings Inc.		
	Director, Basic Law Institute Limited		

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

1 CORPORATE GOVERNANCE (CONTINUED)

(e) Committees' functions and composition

The Board has ultimate and overall responsibility for the corporate governance of the Company.

To assist its performance of the role, the following committees are established:

(i) *Audit Committee*

The Audit Committee reviews and monitors the effectiveness of the internal control system of the Bank, exercises oversight over objectivity, credibility and integrity of the financial reporting and other mandatory professional reporting requirements, and the work of the internal and external auditors. The Committee consists of one non-executive director and three independent non-executive directors, and it is chaired by one of the independent non-executive directors. 4 Audit Committee meetings were held during 2025.

(ii) *Remuneration and Nomination Committee*

The Remuneration and Nomination Committee exercises oversight of the overall remuneration matters of the Bank in consistence with its culture, strategy and control environment. The Committee should make recommendations in respect of Remuneration Policy and practices to the Board. The Remuneration and Nomination Committee should ensure that the levels of remuneration should be sufficient and appropriate to attract and retain the necessary talents in order to provide a stable and efficient operation of the Bank. In addition to the above, the Committee is responsible to identify individuals suitably qualified to become Board members and propose to the Board on the selection of individuals nominated for directorship. It also make recommendations to the Board on appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive Officer. The Committee may also undertake board performance evaluation to assist the Board in reviewing the efficiency and effectiveness of the functioning of the Board. Furthermore, the Committee is responsible for promoting the corporate culture by setting an appropriate tone from the top and establishing the Bank's culture and behavioural standards that promote prudent risk-taking and fair treatment of customers.

The Committee consists of two non-executive directors and three independent non-executive directors, and it remains to be chaired by one of the independent non-executive directors. 1 Remuneration and Nomination Committee meeting were held during 2025.

(iii) *Risk and Compliance Committee*

The Risk and Compliance Committee is established with formal and clear delegation of authority by the Board and be provided with sufficient resources to perform their duties. The objective of the Risk and Compliance Committee is to have a sound understanding of the Bank's business activities and their associated risks and thus to ensure that these risk are properly managed within the framework of full compliance. The Committee consists of three independent non-executive directors, one non-executive director and one executive director, and it is chaired by one of the independent non-executive directors. 4 Risk and Compliance Committee meetings were held during 2025.

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

1 CORPORATE GOVERNANCE (CONTINUED)

(e) Committees' functions and composition (continued)

(iv) Management Committee

The Management Committee meets regularly in relation to day-to-day management, operation and control of the business and affairs of the Bank. The Management Committee consists of Chief Executive Officer, Assistant Chief Executive(s), Chief Risk Officer, Head of Treasury and Head of Finance, and it is chaired by the Chief Executive Officer. 8 meetings were held during 2025.

(v) Credit Committee

Credit Committee is responsible for credit management and exercises oversight of overall credit quality of the Bank. The Committee consists of the Chief Executive Officer, Chief Risk Officer, Senior Executives overseeing the business functions, Head of Finance and senior staff of Credit Risk Division, and it is chaired by the Chief Risk Officer. 18 regular Credit Committee meetings were held during 2025.

(vi) Asset and Liability Committee

Asset and Liability Committee is responsible for managing liquidity risk, and asset and liability management. The Committee consists of the Chief Executive Officer, Head of Treasury, Senior Executives overseeing the business functions, Chief Risk Officer and Head of Finance, and it is chaired by the Chief Executive Officer. 8 Asset & Liability Committee meetings were held during 2025.

(vii) Operations and Technology Committee

Operations and Technology Committee is responsible for rationalizing, streamlining and sanctioning the front to back operations process flow plus control to ensure the operations efficiency, control and customer services; reviewing and approving standard service charges and fees of products and services, solution suggestion and resolution to any operations risk issue(s); strategizing the long and medium term information technology plan; sanctioning the bank-wide information and/or technology risk management policy(es); evaluate and ensure the overall cost and effectiveness of information technology system(s) deployed. The Committee comprises of Chief Executive Officer (Chairman), Senior Executives overseeing the business functions, Head of IT, Head of Operations, Chief Risk Officer, Head of Finance and Head of Treasury. 4 Operation and Technology Committee meetings were held during 2025.

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

1 CORPORATE GOVERNANCE (CONTINUED)

(e) Committees' functions and composition (continued)

(viii) Anti-Money Laundering Committee

Anti-Money Laundering Committee ("AML Committee") is responsible for supervising the overall activities relating to the prevention and detection of money laundering and terrorist financing of the Bank, approving related control framework, ensuring the continuous effectiveness in prevention and detection controls, keep abreast of related development and regulatory requirements and identifying areas of high vulnerability to money laundering and terrorist financing. The AML Committee, chaired by the AML Compliance Officer (i.e. Head of Legal & Compliance Division), consists of the Chief Executive, Alternate Chief Executive, Chief Risk Officer, Head of Information Technology Department and Head of Operations Department. 5 AML Committee meetings were held during 2025.

(ix) Environment, Social and Governance Committee

Environment, Social and Governance ("ESG") Committee is responsible for reviewing, evaluating and approving the design of green and/or sustainable finance product structures, features, product terms and conditions including pricing, borrower eligibility criteria, and any material changes to it; oversight of the Bank's effective implementation of the sustainable finance product framework, including governance over sustainable lending activities and the Green Asset Pool; oversight of the Bank's effective implementation of risk management processes and controls to mitigate risks related to green and/or sustainable finance products, including greenwashing risks; and alignment with the Bank's business strategy; reporting and escalation. The Committee consists of the Chief Executive Officer, Alternate Chief Executive, Head of Treasury, Head of Legal & Compliance, Head of Business Control & Supporting Team (acts as the Secretary of the Committee), and Head of Finance, and it is chaired by the Chief Executive Officer. 4 ESG Committee meetings were held during 2025.

(x) New Product Committee

The Risk and Compliance Committee ("RCC"), as designated by the Board, should, among others, identify, understand and assess the risks inherent in the Bank's business activities or in new products or services to be launched; fully understand the risk characteristics, the underlying assumptions regarding business models, valuation and risk management practices, the potential risk exposure if those assumptions fail, and the possible difficulty in valuing the product involved, especially in times of stress; understand all material risks faced by the Bank, including the risks associated with new or complex products and high risk activities, and the interaction, connectivity and interplay of these risks under stressed conditions. The RCC has delegated the authority of oversight and approval of a New Product to the New Product Committee ("NPC"), a non-standing committee of the Bank. The Committee consists of the Chief Executive Officer, Chief Risk Officer, Senior Executives overseeing the business functions, Head of Operations Department, Head of Information Technology Department, Head of Treasury, Head of Finance and Head of Legal & Compliance Division, and it is chaired by the Chief Risk Officer. 2 NPC meetings were held during 2025.

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

1 CORPORATE GOVERNANCE (CONTINUED)

(e) Committees' functions and composition (continued)

(XI) Accountability Management Committee

Accountability Management Committee is responsible for approving and overseeing the accountability management framework of the Bank, with the aim to strengthen the management of employee behaviors, to maintain the business order of the Bank, to prevent financial risks, and to ensure safe and stable operation of the Bank. The Accountability Management Committee consists of the Chief Executive, Alternate Chief Executive, Chief Risk Officer, Head of Human Resources, Head of Legal and Compliance and Head of Internal Audit. The Committee meeting will only be called by the Chairman when necessary.

(f) The approach for recruitment and selection of members of the Board

Remuneration and Nomination Committee provides oversight of the overall remuneration and nomination matters of the Bank in consistence with its culture, strategy and control environment. Remuneration and Nomination Committee is responsible for identifying individuals suitably qualified to become Board members and propose to the Board on the selection of individuals nominated for directorship. The appointment of directors will be considered and approved by the Board based on the nomination of the Remuneration and Nomination Committee. Approval from the HKMA will also be obtained in accordance with the Banking Ordinance.

In order to promote the Board's efficiency and standards of corporate governance, a number of aspects will be considered to identify suitable and qualified candidates to be a Board member, including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills and knowledge, etc. At the same time, all Board appointments are made on merit, in the context of the skills and experience the Board as a whole required and the various perspectives of Board diversity elements as mentioned above shall also be adequately considered. All directors possess appropriate experience, competence and personal and professional integrity to discharge their responsibilities effectively.

2 DISCLOSURE ON REMUNERATION

The Company fully complied with, in all material aspects, the requirements set out in the Supervisory Policy Manual module CG-5, namely "Guideline on a Sound Remuneration System" issued by the HKMA.

The Remuneration and Nomination Committee is established with specific terms of reference and its membership consists of 3 independent non-executive directors and 2 non-executive directors. The Remuneration and Nomination Committee meets at least once a year to review and make recommendations to the Board of Directors (the "Board") of the Company on the overall remuneration policy and structure, specific remuneration packages and compensation arrangement relating to the appointment of Senior Management and Key Personnel, and on the formulation of the remuneration policy applicable to all employees of the Company. All remuneration actions and decisions made by the Remuneration and Nomination Committee are reported to the Board for ratification. In 2025, the assessment of the Bank's remuneration system and the annual review of the remuneration policy were conducted.

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

2 DISCLOSURE ON REMUNERATION (CONTINUED)

The Board and the Remuneration and Nomination Committee provide oversight of the overall remuneration administration of the Company to ensure consistency with its culture, strategy, risk tolerance and control environment. The Remuneration and Nomination Committee reviews the remuneration policy and system at least on an annual basis to ensure the Company's effective human resources management.

For the purpose of this disclosure, the Senior Management and Key Personnel mentioned in this section are defined according to the "Guideline on a Sound Remuneration System" issued by the HKMA.

Senior Management comprises Chief Executive, Assistant Chief Executives, Alternate Chief Executives and members of the Executive Committee and other staff directly reporting to the Chief Executive, who are responsible for the oversight of the Company's strategy or activities or material business lines. Key Personnel refers to staff responsible for duties or activities which involves the assumption of material risks or taking on of material exposures on behalf of the Company.

Design and Structure of the Remuneration Process

The remuneration system of the Company is designed to motivate employee behaviour that supports the Company's overall business goals and objectives, long-term financial soundness and effective risk management. It aims to create long-term value for the Company and to align the remuneration of employees with the Company's profitability and time horizon of risks.

The remuneration package comprises fixed salary and variable remuneration. The objective is to ensure the package is competitive in the market so as to attract, retain and motivate the right talents. The proportion of variable remuneration shall vary according to the staff's roles and responsibilities, as well as performance.

Fixed remuneration includes base salary, fixed allowances and year-end guaranteed pay (if applicable). Variable remuneration, mainly discretionary cash bonus payment, is awarded based on the overall performance of the Company, the relevant business unit and the individual staff member, taking into consideration of the full range of current and potential short-term and longer-term risks connected with the activities of staff which may affect the performance of the Company.

Performance Management and Consideration of Relevant Risks in the Remuneration Process

Performance of individual staff member is assessed against a number of pre-defined and measurable performance goals. The goals are determined according to the job responsibilities and areas of contribution covering both financial and non-financial factors. Financial factors include quantitative measures such as profit, revenue, business turnover or volume. Non-financial factors include criteria such as strict adherence to the code of conduct, internal control policies, compliance requirement and risk management standard. The non-financial factors constitute a significant part of an employee's overall performance measurement. The size and allocation of variable remuneration take into account the full range of current and potential risks associated with the functions and activities conducted by the relevant employee.

CORPORATE GOVERNANCE REPORT (UNAUDITED) (CONTINUED)

2 DISCLOSURE ON REMUNERATION (CONTINUED)

Performance Management and Consideration of Relevant Risks in the Remuneration Process (continued)

The overall and balanced quality of staff performance is therefore measured and determined not only by financial achievements but also non-financial indicators which form an integral part of the performance management system. For staff within risk control functions, they have to achieve their specific divisional and individual key performance indicators independent of the performance of the business areas which they oversee.

Deferment of Variable Remuneration

Payment of performance-based bonus is subject to deferral mechanism.

The key principles are:

- Deferral should apply when performance-based bonus amount is considered "significant";
- Deferral amount needs to be meaningful;
- The award of deferral bonus shall be subject to a vesting period and pre-defined vesting conditions. The vesting period shall not less than 3 years and aligned with the nature and risks of business, activities undertaken by the employees and the time frame during which the risks from the activities are likely to be realized.

Remuneration Awarded to Senior Management and Key Personnel

	2025	2024
Number of Senior Management and Key Personnel	<u>11</u>	<u>11</u>
	\$'000	\$'000
Fixed remuneration (see Note below)		
– Cash	15,761	18,346
Variable remuneration		
– Cash	1,094	1,163
Of which: deferred	<u>159</u>	<u>283</u>

Note: Fixed remuneration included employee's annual salary, allowances and employer's contribution to provident fund. Variable remuneration comprised of discretionary cash bonus only.

No guaranteed bonus, sign-on bonus or severance payment were made to the Senior Management and Key Personnel in 2025 and 2024.